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Portugal takes over EC presidency
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12 questions for 1992

The new year seems among the bleakest in recent memory. In a special feature, FT writers answer the 12 most pressing questions facing the world this year. Page 10

Moscow prepares for backlash as price controls end

By **Leyla Boulton** in Moscow

EXTRA POLICE are being deployed in Moscow to guard against a possible explosion of popular anger against price rises introduced today by President Boris Yeltsin.

Mr Arkady Murashov, the capital's police chief, said an additional 1,000 police would be on the streets in case of attack on shops and traders, or other disturbances. There are usually 6,000 police on duty at any one time in this city of 9m people. "We are preparing for the worst although I do not believe there will be attacks as rumours have it," he said yesterday.

The long-feared price liberalisation, ending decades of artificially low fixed prices, will free the prices of consumer goods and most food products. Six basic commodities – bread, milk, matches, salt, vodka and energy – will remain fixed but between three and five times higher than their present level.

Russia was to have acted alone on price liberalisation today, but reports from the Ukraine yesterday suggested that the second largest state in the new commonwealth would emulate Russia on the same day. Other newly independent states plan a combination of price reforms and trade barriers in coming days to limit the flight of goods from their territory.

In a telling indication of what the freeing of retail prices will mean, new producer-prices published in St Petersburg showed the price of meat rising more than twelvefold from Rbs7 to Rbs90 a kilo. Beer, which is virtually unobtainable in state shops at present, will be sold to retailers for Rbs20-30, up from the present official price of Rbs3-5.

The minimum wage was only recently raised to Rbs200 a month.

Price liberalisation is being presented by the Russian government as the keystone to market reform. But a senior western financial official said today's rises were primarily a political measure since there was no real monetary, budgetary or privatisation policy in place. The main merit would be to start irreversible change, paving the way for a comprehensive economic reform programme, to be agreed with the International Monetary Fund and other experts.

The reform was also an attempt to break the power of local mafias which had thrived on seven decades of fixed low prices and to "show other republics who is the boss".

Galya, a policewoman who said she and her colleagues were on special alert, summed up widespread popular fears which have had plenty of time to build up since Mr Yeltsin first announced the planned price reforms. "Life with the higher prices will be so awful I cannot even imagine what it will be like," she said.

But Mr Murashov, a prominent liberal politician recently appointed to reform the Moscow police force, said that although he expected tension in the first few weeks, the price liberalisation would ultimately bring stability.

Like many shops, the doors of Gastronom No 45 were closed yesterday, with new year's day still the country's most cherished public holiday. Inside, Mr Alexander Sokolov, the supermarket's director, was busy with his book-keepers preparing for the new prices.

He said after 74 years of communist rule, it would take at least a few weeks for supplies to begin to improve.

While he was sure of receiving his supplies of bread in time for today, when a loaf will sell for Rbs1.80 instead of 60 kopecks, he was still hoping that deliveries of milk would finally arrive overnight after a week of having none at all on his shelves.

"It will be terrible to have new high prices but no milk," he said. "The happiest day in my life will be when everything works as it should in my shop."

Fresh fighting mars Tbilisi's New Year's Day celebrations, Page 12

US president George Bush during a visit to the Australian Maritime Museum in Sydney yesterday. The periscope is from a submarine similar to one which rescued him during the Second World War. On the second day of a 12-day tour of Australia and Asia he sought to allay fears that the US might neglect the region. He said Washington had not forgotten Asia, despite recent a preoccupation with the Soviet Union and Middle East

Recession deeper than expected admits Major

By **Ralph Atkins** in London

MR JOHN MAJOR, the UK prime minister, admitted yesterday that the recession was proving "deeper and longer" than he had expected and warned that harsh international trading conditions were holding back the recovery he believed was under way.

However, the prime minister firmly backed Mr Norman Lamont, the chancellor of the exchequer, against recent attacks on the Treasury's handling of the economy – signalling a determination to brazen out the political storm over the recession.

He dismissed a sterling devaluation as a "silly way to proceed" and said interest rates would rise if necessary to defend the pound. He ruled out taking "short-term risks" with the economy to boost support for the ruling Conservative party ahead of next year's general election.

Despite his relative gloom about UK prospects and his fears of a developing international recession, he insisted that a "jagged and irregular" recovery had started in the UK.

"If for example one looks back at the 1981 recession, we can now see, in retrospect, that recovery was starting at exactly the moment most people were gloomy and believed they would never see it," he said. He hinted, however, that downward revisions to official growth forecasts could result from the gloomy world economic climate.

Speaking on BBC Radio he implicitly accepted that Mr Lamont was facing fierce pressure from within Conservative ranks and outside. But he said: "This criticism focusing upon the chancellor is not fair and I myself do not share it." Mr Lamont was doing a "difficult job extremely well".

Mr Major said the US, Germany and Japan were "all moving towards recession. Growth is falling away in all those countries." Many other countries were either in recession or are moving towards it. "That international environment is holding back recovery in this country."

His wariness at painting too optimistic a picture at this stage will add to speculation that he plans to call the general election for May or later, rather than early spring. He spoke of Britain "moving out of recession in the months ahead towards an acceptable level of growth".

The prime minister faces mounting pressure as the opposition Labour party seeks to intensify political activity in the run-up to the election and pin blame for the recession squarely on the prime minister.

Mr John Smith, Labour's financial spokesman, said it was "preposterous" for the government to blame other countries for Britain's problems. "In the past they have blamed Labour governments and the trade unions, now it appears it is foreigners once again," he said.

Mr Alan Beith, the Liberal Democrats treasury spokesman, said: "Britain has great opportunities but it will never seize those opportunities if it pretends that recession will simply go away."

On the precariousness of Treasury economic forecast, the prime minister went further than Mr Lamont's comments in an interview with the FT earlier this week. Forecasts depended on the assumptions on which they were based – including the economic performance of international trading partners, Mr Major said.

In November's Autumn statement, the Treasury was more upbeat than most inde-
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Economists predict, Page 4
Future Imperfect, Page 10
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East German security files opened to public scrutiny

By **Leslie Colitt** in Berlin

HUNDREDS of thousands of files kept by the former East Germany's Stasi security police will be opened today, threatening to split families and ruin friendships as unpleasant secrets about the past are uncovered.

The files on nearly 2m citizens – both informers and those informed on – occupy some 200km of shelves in several government buildings in central east Berlin.

Mr Joachim Gauck, head of the Berlin-based federal agency which administers the Stasi documents, said citizens would have to apply in writing to see their files. He expected about 70,000 east and west Germans to do so each month.

His newly created agency, with branch offices in main cities, has more than 800 employees. It aims to increase that number by about 200 a month to 3,400 to cope with the demand for files. That will be more than the Treuhand agency, charged with privatising former east German state companies, which employs just under 3,000.

Mr Gauck warned people to reflect on the possible consequences before applying to read their files. "A human catastrophe could come about if someone discovered that a member of his own family informed on him," the 51-year-old east German pastor suggested.

Parents were known to have foiled plans by their own children to escape to the west by informing the Stasi. In some cases they were afraid that the children would be shot by border guards. Communist functionaries feared loss of their privileges if their children escaped.

Ms Bärbel Bohley, a founder of the New Forum movement which helped topple the Communist regime, will be among the first to gain access to her own voluminous file. She recently learned that a close friend and fellow opponent of the Communists served as a longtime informer for the Stasi, or Ministry of State Security.

A senior east German official said last year that he opposed opening the Stasi files as it would lead to "murder and homicide." However, Mr Gauck said that opening the files was an essential part of "coming to terms" with east Germany's recent past.

Some Germans argue that Bonn wants east Germans to atone for the communist past in a way that perhaps west Germans have failed to do over their Nazi past.

Among those working for Mr Gauck are more than 12 former Stasi officials with an intimate knowledge of the complex filing system containing some 6m entries. Many of these consist of code names and real names of the 300,000 informers and their more than 1.5m victims.

Among the Stasi files is one on this correspondent who has reported from East Germany since 1961 and was kept under surveillance on many occasions.

World News

Croatia and Serbia accept plan to send UN troops

UN envoy to Yugoslavia Cyrus Vance announced that the warring republics of Serbia and Croatia had both agreed to an ambitious plan to send some 10,000 UN peacekeeping troops. Page 12

El Salvador ceasefire
The El Salvador government and leftwing rebels agreed a peace plan to begin with a February 1 ceasefire in the 12-year civil war. Page 12

Georgia fighting erupts
Fighting erupted in Tbilisi. As Georgians tried to celebrate the new year, the capital echoed to the sound of gunfire and explosions. Page 12

Pakistan accused
Indian prime minister P.V. Narasimha Rao accused Pakistan of using "state terrorism" in the Indian states of Punjab and Kashmir. Page 3

Korean summit agreed
The presidents of North and South Korea, still technically at war but moving towards rapprochement, will hold a summit in March, South Korean television reported. Nuclear pact, page 3

Bush pledge in Sydney
President George Bush sought to allay fears among Pacific allies that the US might retreat from close defence and economic links with the region. He said in Sydney: "We won't let you down".

Mother Teresa ill
Mother Teresa, 81, remained seriously ill in hospital at La Jolla, California. She was taken there from nearby Tijuana, Mexico, over Christmas suffering from bacterial pneumonia and a heart complaint.

Public executions urged
President Saddam Hussein's eldest son called for a return to public executions in Iraq after a wave of post-Gulf war crime. Page 3

Mafia murders
The Sicilian Mafia claimed its first victims of 1992 when gunmen burst into a bar and opened fire on a group of stragglers from a New Year's Eve celebration, killing three.

Siege ends in death
A gunman who walked into a bank at Placentia, California, saying he had a briefcase filled with explosives, killed himself after a five-hour hostage siege involving 28 people.

Bombs wreck school
Six explosions damaged a school in the eastern Transvaal, apparently set off by South African rightwingers angered by plans to admit black pupils to previously all-white classes.

Liquor kills 71
Seventy-one new year revellers died in Bombay and another 35 are critically ill after drinking contaminated liquor at a licensed bar.

Oslo statue stolen
Thieves stole one of Norway's best-known statues from a park in central Oslo – a 3ft high Gustav Vigeland bronze of a boy with clenched fists.

Business Summary

Rescue drive expected for failed French TV station

FRENCH television station La Cinq is expected to be put under the control of an administrator within the next few days. The administrator will try to devise a rescue package for the channel which filed for court protection against its creditors on Tuesday.

The collapse of La Cinq, which was launched in 1986, is a serious setback for Hachette, heavily indebted French media group which has been running the channel for the past 18 months. Hachette and Italian media mogul Silvio Berlusconi each own 25 per cent of the equity. Page 13

MAXWELL Communication Corporation chairman Peter Laister said he was considering resigning following UK High Court approval of an arrangement covering the company's administration in the US that removes the MCC board's powers. Page 13; Black bid for Maxwell Israeli interests, Page 14

US TAKEOVER activity slumped by almost one-third last year with just 4,464 deals struck at a total value of $145.6bn, down from 5,150 transactions and $211.9bn in 1990. Many deals that took place were in a small number of consolidating sectors. Page 14

EUROPE will become the world's richest market with enough clout to demand changes in the American legal and regulatory system, says a US Chamber of Commerce report. Page 2

GERMAN government should use its legislative powers to limit Civil Service pay rises this year to 5 per cent, said economics minister Jürgen Möllemann. Page 2

SIEMENS, German electrical and electronics group, has taken control of the Pilsen transport division of Skoda, Czechoslovakia's largest engineering company in a deal valued at $105m. Page 15

UK RECESSION will end this year, says an FT survey of economic forecasts. But unemployment will hit 2.7m and public borrowing will climb to £20bn, according to the economists. Page 4

JAPANESE car industry was urged by prime minister Kiichi Miyazawa to help Americans sell cars in Japan and to mend trade tensions during President George Bush's visit next week. Page 3

BRAZIL had an inflation rate of 460 per cent in 1991 and an economy growing at only 0.5 per cent, with zero growth forecast for 1992. Page 2

MORGAN GRENFELL was named the UK's top merchant bank adviser, according to the FT Mergers & Acquisitions International magazine. It was the bank's first top place in the rankings since 1987. Page 14

NIGERIAN President Ibrahim Babangida appealed for "concessional" treatment of the country's $33.4bn external debt. Page 3

HUNGARY'S budget has imposed cuts in state spending and the public-sector deficit. Page 2

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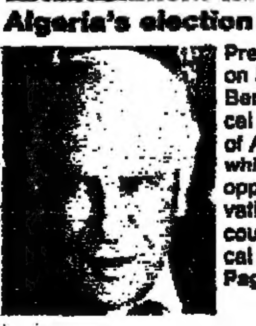
Establishment takes fright at Algeria's election results



Pressure is mounting on President Chadli Bendjedid (left) to cancel the second round of Algerian elections which confirmed the opposition Islamic Salvation Front as the country's main political party
Page 3

MARKETS (31 December)

STERLING
New York lunchtime:
$1.8595
London:
$1.871 (1.867)
DM2.8375 (same)
FFr9.6975 (9.69)
SFr2.535 (2.5325)
Y233.75 (234.75)
£ index 91.4 (91.5)

GOLD
New York Comex Feb
$ (353.9)
London:
$353.3 (351.75)

N SEA OIL (Argus)
Brent 15-day
$ (17.825)

Chief price changes yesterday. Page 13

DOLLAR
New York lunchtime:
DM1.517
FFr5.1795
SFr1.3565
Y124.515
London:
DM1.517 (1.52)
FFr5.1825 (5.19)
SFr1.355 (1.357)
Y124.95 (125.7)
$ index 60.8 (60.9)
Tokyo close: Y125.25

US LUNCHTIME RATES
Fed Funds: 4⅞
3-mo Treasury Bills:
3.53⅞
Long Bond:
107⅜
yield: 7.394%

STOCK INDICES
FT-SE 100:
2,493.1 (−73.1)
FT-A All-Share:
1,187.70 (−2.6%)
FT-SE Eurotrack 100:
1,079.41 (−13.67)
New York lunchtime:
DJ Ind. Av.
3,147.81 (−16.16)
S&P Comp
413.22 (−1.92)
Tokyo: Nikkei
Closed

LONDON MONEY
3-month Interbank:
11⅛ (11⅛)
Liffe long gilt future:
Mar 95½ (Mar 95$\frac{1}{16}$)

Möllemann seeks to keep wage rises to below 5%

Bonn toughens stance on civil service pay

By Christopher Parkes in Bonn

THE German government should use its legislative powers to limit civil service pay rises this year to less than 5 per cent, according to Mr Jürgen Möllemann, economics minister. This would send a clear signal to the private sector, he said yesterday.

It was not the time to iron out pay inequalities, he said. Economic stability and full employment were greater priorities.

The economy stood at the crossroads. "The next weeks and months will decide if we are to resume growth or to suffer deep and painful cuts," Mr Möllemann said.

Representatives of the 1.8m civil servants in west Germany, traditionally the first public sector workers to settle their wage deals, said yesterday they would not to be singled out for "a special sacrifice". "We shall be seeking a two-figure increase," said Mr Werner Hagedorn, chairman of the Deutsche Beamtenbund civil servants' association.

The OTV union, which represents public sector workers, said the minister's proposal would only hinder negotiations. It was surprising that a "self-styled free-market, liberal minister should suddenly become a proponent of a statutory incomes policy", the union said.

Mr Möllemann's renewed intervention, following calls from Chancellor Helmut Kohl for moderate settlements, is likely to aggravate already bitter negotiations over 10 per cent claims from unions representing steel, banking and public service workers.

Further bad news from the steel and engineering industries over the holiday highlighted pressures on the economy. Voest Alpine, the Austrian group, announced it was to close its only German special steel works by the end of the year.

The 400 employees at Edelstahlwerks Böhler in Düsseldorf would be deployed elsewhere, the group said.

Engineering and plant makers, second only in industrial rankings to the car industry, said yesterday they expected real falls in production and sales this year.

"All the threads have been cut virtually simultaneously," said Mr Alexander Batschari, of the VDMA manufacturers' association, referring to the effects on orders of recession in the west and political and economic turmoil in east Europe.

The only markets showing signs of life were those in south east Asia, where Japanese engineering had a share of more than 50 per cent, the US 21 per cent and Germany only 12 per cent. German exports to the region had increased 20 per cent to DM1.2bn ($760m) last year, the association said.

Total overseas deliveries, which account for 60 per cent of the industry's sales, had fallen 20 per cent in the first 10 months of 1991; inland deliveries were up only 1 per cent over the same period, while orders were down 10 per cent.

More than 70,000 engineers were working short-time in November, compared with 3,000 a year earlier, the VDMA said. Companies in the worst-hit sectors, textile machinery, machine tools, motors and agricultural equipment, were all planning to reduce their payrolls.

Finns fearful for Baltic joint ventures

By Enrique Tessieri in Helsinki

FINNISH companies account for most of the investment in joint ventures in neighbouring Estonia, but some businesses fear that chaos in the rest of the former Soviet Union could hamper further foreign projects.

Of the roughly 250 joint ventures established in the former Soviet republic in the past four years, 120 are of Finnish origin. Only a handful, though, are up and running so far.

Estonia is better placed for foreign investment than neighbouring Latvia and Lithuania because of close linguistic, cultural and geographic ties with Finland and consequently with the rest of the Nordic region.

"Considering how expensive production and labour costs are in Finland, it is only natural that many Finnish companies like ourselves are keenly seeking to set up production units in Estonia," says Mr Christian Gröndhal, senior vice- president of Novera, a Finnish construction and agricultural machinery group which owns 51 per cent of Estonia Engineering, a Finnish-Estonian joint venture.

Finland must decide early this year whether to apply for membership of the European Community, President Mauno Koivisto said yesterday, Reuter reports from Helsinki.

Finland, a member of the European Free Trade Association (Efta), is currently assessing advantages and disadvantages of joining the EC and Mr Koivisto said the results would be made available to parliament this month.

"In announcing our possible willingness to enter membership negotiations we must also state that membership is indeed our goal, should the talks proceed to what for us is a reasonably satisfactory conclusion," Mr Koivisto said in a new year speech.

However, Mr Gröndhal warns that if labour and production costs rise sharply, Estonia will lose its attractiveness to foreign investors.

Salaries are low in Estonia by western standards, in some cases between $10 and $20 a month. But many Estonians are already offering office rent at prices similar to Helsinki's, although one foreign company has been reported as paying $4 a month for office space in the centre of Tallinn.

Apart from Novera, which plans to build a prefabricated bathrooms production unit in Tallinn, other Finnish companies are also setting up similar facilities in Estonia. Ahlström a Finnish boiler group, will build a glass-wool plant in eastern Estonia, and Partek and Lohja, two construction groups, will begin to fabricate building materials.

New trade agreements between Finland and Estonia, which will be ratified this year, are expected to encourage such a development. If approved by the Finnish parliament, Estonian manufactured goods should be able to enter Finland without any tariff restrictions.

But the process of rebuilding Estonia's obsolete industry will be an expensive endeavour. Last October, Imatran Voima and Vattenfall, respectively Finnish and Swedish utility groups, and the Estonian Ministry of Industry and Energy signed a co-operation agreement to begin the process of modernising Estonia's ageing power sector.

Some analysts say the task of modernising Estonia's energy sector to meet western standards will the require investments of billions of Finnish marks.

According to Mr Gröndhal, trading has been the most important activity of Estonia Engineering, a medium-sized joint venture by Estonian standards. Its turnover has increased from FM10m ($2.4m) in autumn 1989-1990 to an estimated FM13m-FM15m this year.

"Even if we offer the expertise and, most important, solve the financing problem for Estonian dairies, fisheries and slaughterhouse through complex barter arrangements," said Mr Gröndhal, "these trade arrangements in some cases may take a year to work out."

One recent example was a fishery in eastern Estonia, on Lake Peipsi. Through Novera Group's European contacts, Estonia Engineering helped the local fishery to acquire a FM3.5m cold-storage space with a capacity of 500 tonnes, through the sale of fish. The local fishery paid the fish to Estonia Engineering, which in turn sold it for hard currency in the west.

Other items which Estonia Engineering has been able to sell from Estonia in the west through barter and cash deals are hides, powdered milk, cheese and butter.

Mr Aarne Rüpp general manager of Estonia Engineering, believes hardships await his country as it attempts to shake off the vestiges of half a century of Moscow rule. "Chaos in Russia and chronic shortages of commodities in Estonia can become strong disincentives for Finnish and foreign firms to invest in this country," he concludes. "Such a situation would spell disaster."

Rebel national guardsmen take cover during clashes which broke out again in the Georgian capital Tbilisi yesterday. Mr Tenghiz Kitovani, commander of the rebel national guard in the city, warned that opposition troops would storm the parliament building where President Zviad Gamsakhurdia has been besieged for 11 days.

Plea to aid Haiti businesses

By Canute James in Miami

THE international trade embargo against Haiti has cost the Caribbean state about $150m in lost earnings so far, according to representatives of US companies with investments in Haiti.

Factories which depend on export trade will have to close and thousands of jobs will be lost, the US companies, supported by Haitian business leaders, say.

The embargo was imposed on the French-speaking republic of 6m people after a military coup at the end of September. President Jean-Bertrand Aristide was sent into exile. The Organisation of American States, along with several European countries and Japan, imposed the embargo, saying he should be restored to the presidency. The US and other members of the OAS say the embargo will continue until the Haitian constitution is restored.

Over 6,000 Haitians have tried to flee for the US since the coup, amid reports of reprisals by the army against Mr Aristide's supporters. All but a few have been allowed into the US.

Haiti's economy depends mainly on the export of assembled garments, toys and baseballs, mostly for the US market, and on coffee and fruit. "We employed 500 workers in our operations in Haiti, and they are now unemployed," said Mr Andrew Postal, president of Judy Bond, a New York garment company. "We are closing our plants in the country."

Speaking at a conference in Miami on US trade with the Caribbean, Mr Jean Edouard Baker, president of the Haitian Business Association, said the work week in Port-au-Prince, the capital, had been reduced to three mornings, and electricity supplies were 15 per cent of demand. "The industrial sector in Haiti has been crippled," he said.

Mr Donald Zimmerman, who heads a family business which assembles women's undergarments in Haiti, said people there were starving and dying as politicians discussed their fate. "The US government has put Haiti back into the stone age and I am urging a reconsideration of policy."

The US is unlikely to yield, according to officials at the conference. The administration was aware of the problems being created for business by the trade embargo, but the embargo would stay until the political situation was resolved, said Ms Donna Hrinak of the State Department.

She said: "We know we are asking the Haitian people to do a lot, but how much a price can one ask for democracy?"

Tough Hungarian budget targets spending by state

By Nicholas Denton in Budapest

HUNGARY is cutting state spending and the public-sector deficit, in a tough new budget which came into force yesterday.

The conservative government forced its draft through parliament this week; the basic shape was unchanged despite pressure to introduce measures to temper the recession.

MPs accepted a budget deficit of Ft70bn ($894m), pushing down the forecast public-sector deficit for 1992 to 1.9 per cent of GDP from last year's 3.5 per cent. That should reinforce the downward trend of inflation, which is forecast to halve to 15 per cent over the next 12 months.

Hungary's bloated state spending is also set to fall as a share of economic output, from 66 to 62 per cent. That will be achieved despite a fall in officially recorded GDP of 6-8 per cent in 1991 and forecast stagnation in 1992.

The budget appears to meet conditions set by the International Monetary Fund for continuing a three-year programme of financial assistance. It thus clears the way for Hungary to draw $435m of IMF credits this year in addition to the $970m disbursed in 1991. Moreover, IMF approval for Hungarian economic policy releases other official credits and reassures commercial lenders.

Doubts remain among economic analysts over whether the government will be able to keep to its deficit target. Last year the government failed to do this and now it is cutting back dangerously on contingency reserves.

Nevertheless the budget marks the effective end of the consumer subsidies which were a hallmark of the country's former communist regime. Only transport is excepted from the cuts.

Taxation has also been reformed to reduce exemptions and allow companies to write off more easily investments and bad debts against taxable profits.

But the opposition and some bankers have criticised the government for watering down earlier plans for fundamental reform of taxation and spending.

French paté de foie gras loses some of its class

By Alice Rawsthorn in Paris

PARISIAN shoppers have thronged the narrow streets of the Eglise St Eustache in the Les Halles area of Paris in the seasonal rush to buy paté de foie gras.

Sales of the delicacy – a creamy paté made from the livers of specially plumpened ducks and geese – are strong despite the economic slowdown. Yet producers in the Landes region of south-west France are in trouble.

Prices in France have fallen sharply in the past two years. Imports are rising, while the recession in other countries, notably the US, is making exports more difficult. To add insult to injury, there are allegations of dubious practices in the Les Landes *foie gras* trade.

Foie gras, often accompanied by muscat wine or champagne, has been part of the French diet for decades. It is the customary *hors d'oeuvre* over the Christmas and New Year holiday when two thirds of the 8,820 tonnes of *foie gras* sold in France every year are consumed.

The French appetite for *foie gras* is still strong.But the market is more competitive today than it was a few years ago. Prices have fallen 15 per cent to around FFr420 ($78) a kilo for standard goose *foie gras* in the past two years.

This is partly because of a shift in distribution towards keenly priced supermarkets. It also reflects the continuing increase in imports of eastern European *foie gras*, which sells for a fifth less.

Exports too are slowing, notably in the US and Japan which showed particularly strong growth in the 1980s. A fifth of the 4,450 tonnes of *foie gras* made in France last year was sold to other countries.

Mr Emmanuel Jung, secretary general of Rougié, a family company based at Farlat in the Dordogne, points to "serious difficulties" in the industry. "Profitability is low. Stocks are too high. Some producers are in a precarious state." Finally, the government has announced an official inquiry into the industry following allegations that some producers are importing *foie gras* from Hungary and Bulgaria, repackaging it with Made in France labels, and selling it at French prices.

Havel deflects criticism of Czechoslovak reforms

PRESIDENT Vaclav Havel of Czechoslovakia told his countrymen yesterday they had no choice but to persevere with reforms, although the economy had yet to hit bottom, Reuter reports from Prague.

He said in a traditional new year address to the nation that it would be foolish to blame the parliament, government and president for economic, legislative and ethnic problems as well as a soaring crime rate and increasing intolerance.

"It is a task for us all and we have no right to protest, for we have chosen it ourselves," the president said, referring to the overthrow of the communist system in late 1989.

He praised the results of economic reform which started with the liberalisation of prices a year ago.

"A market economy environment is now becoming established. We have managed to sustain a balanced budget, there is no runaway inflation and the foreign debt is manageable."

But he said hopes that the economic slump could be reversed as early as mid-1992 might be premature.

"It seems that we are yet to reach the bottom. But at the same time, preconditions for a change should begin to arise."

Mr Havel said he was "agitated by the senseless war in Yugoslavia and the danger of conflicts in the explosive transformation of the post-communist world". But he stressed he was most concerned by the continuing inability of the Czechs and the Slovaks to settle the future set-up of the federation, composed of two republics.

"There is not much I can promise you. For myself, it is but one thing: as long as I will be in office, I will use all my prerogatives and influence to support what I deem right and what will help us rediscover ourselves."

Europe will be 'richest market in world'

By Nancy Dunne in Washington

EUROPE will eventually become the richest market in the world with enough clout to demand changes in the American legal and regulatory system, according to a US Chamber of Commerce report.

"A single EC banking market provides Europeans with the leverage to seek changes in the more restrictive US financial services market," the report says. "Similar activity has already occurred in other areas, including public procurement and product standards."

Although the single market will be "a good deal" for US business overall, the future is fraught with dangers of trade and economic conflict.

The report, released last month, says the looming failure of the EC to meet its December 31 1992 deadlines, particularly with regard to technical product standards, means US business will be unable to benefit from "one of the most touted benefits of the internal market programme".

Implementation and compliance with EC legislation by the individual governments "remains the Achilles' heel" of the exercise. Only 36 of the 134 measures requiring national implementation by the end of next August have been approved by national legislatures.

"The EC countries have been particularly negligent in implementing environmental and agricultural legislation," the report says. Furthermore the social action programme could force US companies in Europe "to conform to onerous labour legislation, increase the cost of doing business in the EC and reduce a company's flexibility in management decision-making."

In future the US and EC will compete as "super economic blocs" without the Cold War to unite them. The Chamber fears for increased bilateral tension if the EC pours subsidies into "national champions" and "sensitive sectors" like autos, electronics and steel, and "America First" attitudes give rise to restrictive US legislation".

Brazil's economy awaits 'flight to modernity'

By Christina Lamb in Rio de Janeiro

BRAZIL finished 1991 with an inflation rate of 460 per cent and an economy growing at only 0.5 per cent, with zero growth forecast for 1992, according to government figures.

The growth rate for Venezuela, Chile, Mexico and Argentina last year averaged 5 per cent.

Brazil is lagging behind the rest of the continent in many areas. Its privatisation programme started only in October; it has still to reach an accord with the International Monetary Fund and creditor banks; and its import tariffs continue to be the highest. The country's minimum salary, at less than $40 a month, is lower than that of Bolivia.

But this year is seen as a turning point in which the economic shock plans that characterised the last five years will be abandoned in favour of attacking the fiscal deficit, now accepted as the root cause of inflation.

Mr Marcilio Marques Moreira, the economy minister, told businessmen in Rio this week: "We are like passengers awaiting flight 2000 to modernity. This is our last call."

However, his team is still relying on tight monetary policy as its main anti-inflation weapon. Since September this has plunged the country into deep recession. A Gallup poll published this week found that 1991 was seen as the worst year in the last 10 and that 1992 was expected to be even tougher. Forty-one per cent thought last year was bad or terrible while only 17 per cent had a good year. Seventy-one per cent expect unemployment to increase this year.

President Fernando Collor, whose popularity has shrunk to as little as 8 per cent according to some polls, hit out at the news media for their pessimistic prognoses for 1992. He claimed the opinion polls reflected the sacrifices of 1991: "The measures we have adopted are not exactly the kind which reap applause."

But it is not all bad news. In December, for the second consecutive month, inflation fell slightly to around 24 per cent a month. This month the IMF is expected to approve a $2bn standby facility after an 11th-hour congressional approval of the tax reform, which is seen as the first step towards fiscal adjustment.

Yesterday import tariffs were reduced by an average of 6 per cent, with those for cars coming down from 60 to 50 per cent.

Cavaco Silva: determined

Portugal's premier turns his talents to the EC

Anibal Cavaco Silva talks to **Patrick Blum** as his country takes over the Community's presidency

MR Anibal Cavaco Silva, Portugal's professor-turned-prime minister, is undaunted by the tasks facing his country's presidency of the EC.

A technocrat and stickler for detail, he will be very much in charge of Portugal's efforts during the six-month rotating presidency – the country's first since it joined the Community in 1986.

His cabinet has been restructured with two working groups set up specifically to deal with the presidency. Another group, consisting of himself and a small team of key ministers, will handle political developments, while a special group will deal with technical matters.

"I will follow everything closely throughout the duration of the presidency," says Mr Cavaco Silva, who has a reputation among colleagues for briefing himself thoroughly on the issues.

Critics have accused him of being authoritarian and arrogant, but he brushes aside the suggestion that his plans for the presidency may involve an excessive concentration of responsibilities.

His critics confuse authoritarianism with resolution, he says. "I don't run away from responsibilities, and I am firm in my determination to do what must be done."

After six years as prime minister – the first two in 1985-87 as head of a minority government – and four more to come following his victory in last October's general election, he is more relaxed than previously.

"I wasn't educated to be a politician, but to be a university professor. I had to learn a lot about the way to lead on political issues and among politicians. When I arrived here [in the prime minister's residence], my adversaries said I wouldn't last six months."

He had to adapt and there were mistakes. He faced a general strike over reform of labour laws, and considerable resistance over fiscal reform, both of which have been implemented and have since died down as political issues.

"I underestimated the difficulties. Fiscal reform, for example, was promised to the Portuguese people in 1974 at the time of the revolution, and by all the subsequent 16 governments, but they never did it."

"We realised it, but I underestimated the attacks. I never thought they would reach such a pitch. Had I anticipated this maybe I would have changed the way I presented the reform, but the reform itself was basically correct."

His policies remain a social democratic mix of market-oriented economic reform with a safety net sufficiently large to avoid conflict and excessive social hardships.

He says redistributing wealth on its own will not achieve lasting prosperity. "I want to build a more just society. Poverty still exists in Portugal and it is shocking, but as an economist I know the solution isn't to distribute a social security cheque." He says it is more important to encourage individual responsibilities and rewards, greater efficiency and social cohesion through dialogue.

While at York University in Britain studying for a doctoral thesis in 1971-74, he was struck by the "endless labour conflicts" in the UK and the power cuts that eventually led to the fall of Edward Heath.

Naturally cautious, he is anxious to avoid the type of shock therapy that sent unemployment rocketing under Mrs Margaret Thatcher, though he admired her decisiveness.

The worst thing, he says, is not to be decisive through fear of making a mistake. "I received a country in a state of backwardness, of many speeches about all the things that needed to be done but were never done. I introduced a new style in Portuguese politics. I resolved to move to practical action, not just to make speeches but to act, to confront vested interests, to analyse problems and take the correct decision."

He liked President John Kennedy and admired General De Gaulle. But he says he has no model, and he remains suspicious of politicians.

"People used to say I was anti-politician because I didn't like verbalism [and] flowery speeches. I still don't like that. I don't see politics as a game. For me politics has only one meaning: practical action, the possibility of doing things which serve the country."

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Nigeria seeks debt relief to ease reforms

By Michael Holman, Africa Editor

PRESIDENT Ibrahim Babangida yesterday appealed for concessional treatment of Nigeria's $33.4bn (£18.3bn) external debt, warning that heavy service payments were jeopardising the country's economic reform programme.

His request is likely to receive a cool response from creditors until Nigeria meets performance targets set under an agreement with the International Monetary Fund, which was signed a year ago and runs out in April.

Although discussions are continuing, Nigeria failed to pass a mid-term review of the SDR319m (£242.5m) stand-by facility. A recent Fund report was highly critical of several aspects of government management, notably an over-expansionary fiscal policy and heavy reliance on domestic bank borrowing. Without IMF endorsement, Nigeria will be unable to extend debt rescheduling deals reached with government and commercial bank creditors.

President Babangida, speaking in the new capital of Abuja, was outlining the country's 1992 budget in the course of a new year address calling for "financial discipline" and announcing plans to cut the number of ministries from 25 to 16.

The president, who said debt service payments due this year totalled $5.6bn, forecast export earnings of $9bn, of which $7.4bn would come from oil exports averaging 1.38m barrels per day at $21 per barrel. Government expenditure this year was put at 27.6bn naira, a 30 per cent cut on 1991 spending.

The president warned that Nigeria's structural adjustment programme, under way since 1986, could not succeed if the country remained a net exporter of capital: "It is therefore obvious that Nigeria requires substantial debt relief through outright debt reduction."

Presenting what will be his last budget if the handover to civilian rule in October this year takes place as scheduled, the country's military leader called for "far more concessional debt relief, with the Toronto or the Trinidad terms as minimum."

Nigeria's external debt had grown from $20.06bn in 1985 to $33.36bn at the end of October 1991. The government would continue to peg debt service payments at 30 per cent of export earnings, although this level would be difficult to sustain, the president continued.

Mr John Major, the British prime minister, has indicated that he would support Nigeria's claim for debt relief under Trinidad terms, but the IMF hurdle will have to be cleared.

The terms apply to the world's poorest countries and provide for the write-off of two-thirds of export credit debt. Nigeria claims eligibility, pointing out that per capita income has fallen from about $1,000 in 1980 to under $300 in 1990, the result of substantial devaluations and falling oil exports.

But British officials stress that terms require an economic reform programme which has IMF endorsement.

The proposals were launched by Mr Major, then chancellor of the exchequer, in Trinidad in September 1990. At last October's Commonwealth conference in Harare, Mr Major announced that Britain was prepared to implement the terms unilaterally.

Anarchic bargaining distorts Israel's budget

Hugh Carnegy on the haggling, handouts and histrionics that go into fixing government spending

Israel's 1992 budget, incorporating a large deficit to cope with mass Jewish immigration from the former Soviet Union, remained unratified yesterday as Prime Minister Yitzhak Shamir struggled to resolve a row between religious parties in his coalition government over the allocation of funds to their rival institutions.

A final parliamentary vote was repeatedly postponed as Mr Shamir tried to find a way to avoid threats by some of the religious groups to vote against the budget, which could block its passage and possibly threaten the government itself. The bill should have been passed by midnight on December 31.

IF ANY of the international creditors from whom Israel is planning soon to borrow $20bn (£10.9bn) took time off from the season's festivities to study the anarchic, 11th-hour bargaining over the government's 1992 budget, they are unlikely to have been encouraged to loosen their purse strings.

Government officials must be especially anxious about what the US embassy in Tel Aviv is reporting back to Washington on the unedifying spectacle of haggling, handouts and histrionics that increasingly characterises the process of fixing government spending in Israel.

The issue is pertinent because of the huge five-year borrowing programme the government has drawn up to help finance mass Jewish immigration from the former Soviet Union. A vital component of this is a request that the US government, which already gives Israel $3bn in annual aid, guarantee credits worth $10bn – half the total external requirement.

Aside from linking this assistance – which is due to come before Congress late this month – to the Middle East peace talks, the Bush administration has made it plain that a key consideration will be evidence that the Israeli government is conducting a stable economic policy that will ensure it can honour its debt obligations.

International lenders, whose favour is now sought by so many other suitors, will undoubtedly take their lead from Washington.

So the failure of Mr Yitzhak Shamir, the prime minister, to get his 1992 budget enacted before the year began, and the frantic horse-trading with small coalition parties that held up the process, may have an impact far beyond the immediate domestic economic consequences.

The source of the problem, almost everyone agrees, is the highly factionalised political system which allows small parties to use their hold over the balance of power to make outrageous financial demands for their own vested interests. Mr Shamir, it appeared yesterday, preferred to give in rather than let his government fall on the budget issue. So it was this week that:

- A single member of Mr Shamir's Likud party was able to force through changes in the system of state-subsidised mortgages against the will of the treasury and Bank of Israel at a cost of Shk1.1bn (£258m) – more than 1 per cent of the original total budgeted spending.
- Extreme right-wing parties forced Mr Yitzhak Moda'i to commit about an extra Shk170m to Jewish settlements in the occupied territories – also in political defiance of the US – and some Shk300m in increased subsidies to new immigrants.
- Ultra-orthodox religious parties won commitments to spend tens of millions of shekels on educational and other institutions which they control.

Mr Jacob Frenkel, the governor of the Bank of Israel, repeatedly warned of the inflationary dangers of such deals, especially as the economy is showing signs of stalling. "During the last few days," he said on Monday, "there have been all sorts of dramatic changes going on in the budget so that I can't even tell you, just one day before the budget is approved, how large the deficit will be."

Mr Moda'i himself expressed his exasperation: "Every year it is more and more wild. This year the Knesset will pencil in money that simply isn't there. The finance minister will then have to go door-to-door, to try to raise the money from the US and from diaspora Jewry. Then you will say, and rightly so, that the government is inconsistent in its economic policy."

Not that the original budget as formulated by the government itself was a model of fiscal firmness. Mr Moda'i's proposal to limit the deficit this year to 5.5 per cent of GDP was thrown out by ministers, who boosted it to 6.3 per cent. And to make even that figure possible, they simply knocked 50,000 off the number of immigrants forecast to arrive, without altering any of the other related projections such as the rate of growth, or revenues.

By coincidence, an electoral reform bill was due to be voted on in the Knesset yesterday aimed at ending the influence of the small parties. The proposal to have direct elections for the prime minister, thus creating a virtual executive premier with greater authority, might well prove not to be a solution. But Mr Shamir's entrenched opposition to it means that even this attempt to shake up the system is likely to fail.

A recent decline in the rate of arrival of immigrants may mean that this year's last-minute round of budget handouts will not badly inflate the deficit. But the job Mr Moda'i faces in persuading the US and other lenders to invest in the Israeli economy will not have been made any easier by the events of the past few days.

Mr Javier Pérez de Cuéllar takes his leave of the United Nations headquarters in New York early yesterday morning at the end of his 10-year tenure as UN secretary general. He is succeeded by Mr Boutros Boutros Ghali of Egypt.

Establishment takes fright at Algeria election results

Francis Ghilès looks at the fall-out from last week's first round wins for Islamic extremists

PRESSURE is mounting on President Chadli Bendjedid to cancel the second round of the country's first multi-party elections which last week confirmed the opposition Islamic Salvation Front (FIS) as the main political force in Algeria.

Some political leaders such as Dr Said Saadi, the secretary general of the Rassemblement pour la Culture et la Democratie, one of the lay opposition parties, are quite clear. A second round, he says, will "bury Algeria. It will condemn us to chaos."

He has called for a general strike. Such a strategy is backed by the Committee for the Safeguard of Algeria, which includes leading trade unions and employers federations and appears to have the tacit support of senior figures in the establishment.

Earlier this week it issued a proclamation arguing that "it could not allow those who benefit from the rules of democracy to abrogate, tomorrow, the very same constitution which guarantees those rules". It pointed out that the FIS ruling council still meets in secret and that nobody knows the names nor the exact number of its members.

For his part, Mr Hocine Ait Ahmed, whose Front des Forces Socialistes (FFS) won 25 seats in Kabylia, the Berber stronghold in the north, and whose candidates are strong runners-up to the FIS in a number of constituencies in the heart of Algiers, refuses for the present to go that far, arguing such a move would make Algeria look like a "banana republic".

He has called for Algerians to march through the heart of the capital today in a show of strength against totalitarian forces. But as he pointed out in an interview yesterday he still cannot get the authorities to lay on special trains for those of his supporters who wish to come into the capital.

This much respected veteran of the war of liberation against France and long-time political exile expresses serious misgivings about the fairness of the elections, saying that state-controlled television gave no time for his meetings, concentrating all its news and reporting on the Islamic fundamentalists and the ruling National Liberation Front.

He argues – and independent evidence increasingly supports him – that fraud was practised on a much wider scale than observers had thought until a few days ago.

Hocine Ait Ahmed: call for a show of strength

They assert that 10 per cent of the ballot papers cast were not valid; 900,000 electoral cards never reached those they were destined for; and that a good half of the elections of successful candidates in the first round would be contested in the Constitutional Court.

The vast majority of town halls have been under FIS control since the party's victory in the municipal elections of June 1990 and the names of many people who then abstained appears to have been struck off the electoral register.

Since December 20, in the run-up to the polls, a string of violent incidents across the country are adding to a climate of growing uncertainty. Some of these incidents are only now being made public, and several resulted in the deaths of members of the security forces.

Externally, the Moroccan authorities have announced they will close their frontier with Algeria from January 15, the day before the planned second round. Already Tunisia appears to have sealed its border with Algeria.

Anxiety in Paris has been all the greater because French leaders appear, as in June 1990 when the Islamic party swept the polls in local elections, to have misread the way the vote would go.

They are in good company, however, as their optimism about the capacity of the FLN to resist the FIS onslaught appears to have been shared by Mr Sid Ahmed Ghozali, the prime minister, and his minister of the interior, General Larbi Belkheir.

Other senior members of the government fear the worst. They believe that if the FIS wins a majority, it will be forced into radical measures in order to keep their promises it has repeatedly made to its followers.

They are apprehensive that the FIS will turn first against the rich, then against the educated middle classes – it has already publicly promised to replace a certain number of technicians with "Islamic" technicians it will import from the Middle East.

Then will come the turn of the Berber heartland of Kabylia – with the added twist that many key FIS leaders such as Mr Mohammed Said and Mr Ahmed Merani are themselves Kabyle Berbers. The scene would then be set for what has historically often been feared – a fight to the finish among a group of Berbers.

The worst may yet not come to pass but Tuesday's New Year's eve celebrations in packed restaurants and hotels in Algiers had a slightly desperate touch.

Japanese industry urged to ease trade tensions

Miyazawa in plea on US cars

THE Japanese car industry was yesterday urged by Prime Minister Kiichi Miyazawa to help Americans sell cars in Japan and to mend trade tensions during President George Bush's visit next week, AP reports from Tokyo.

Speaking in a televised new year's news conference, Mr Miyazawa said: "I am asking industry leaders to take more seriously and compassionately the US situation, symbolised by General Motors' shutdowns."

GM announced last month it would eliminate 74,000 jobs and close 21 plants in North America over the next four years. Mr Miyazawa, attempting to emphasise to the Japanese the need to help the US auto industry, said: "GM is like the Stars and Stripes for the American people."

He said it came as a great psychological blow for many Americans to witness their car industry losing out to Japanese competition.

President Bush, accompanied by the chairmen of the three leading US-owned car makers and 18 other business leaders, is due in Tokyo on January 7 to discuss ways of narrowing Japan's $41bn (£22.5bn) trade surplus with the US. Vehicles and car parts account for three-quarters of that gap.

Senator Carl Levin, whose state, Michigan, is home to the big three car companies, said last week that the US Congress might enact legislation punishing Japan for its restrictions on importing US goods if the president's visit did not yield results.

Last month, big Japanese car makers said they planned nearly to double purchases of US car parts by 1994 as part of a government-inspired effort to reduce the trade surplus, made parts.

On another key issue between Tokyo and Washington, Mr Miyazawa hinted Japan eventually would ease its ban on rice imports.

Sudanese MPs to be appointed

GENERAL Omar Hassan al-Bashir, the Sudanese military leader said yesterday the authorities would appoint a transitional parliament in the next few days, Reuter reports from Khartoum.

The general, who dissolved Sudan's elected parliament when he seized power in July 1989, said the appointed assembly should set a good example for a proposed elected assembly.

The Sudanese military junta has previously resisted calls for a return to government under a civilian constitution and Gen Bashir has said he will never allow political parties.

The military leaders were thought to favour "popular congresses" along the Libyan model, where local councils send delegates to a national congress similar to a conventional parliament.

Gen Bashir, in an Independence Day speech in the town of Abu Hamad, 280 miles north of Khartoum, said the appointed assembly would be able to propose and pass legislation, vet decrees by the ruling Revolution Command Council and ratify treates and agreements with other countries.

He implicitly welcomed the success of the Islamic movement in Algerian elections last week, saying the Algerian government had been wise to let Algerians choose freely.

NEWS IN BRIEF

North and South Korea in N-pact

South and North Korea have initialled a six-point pact aimed at making their heavily-armed peninsula free of nuclear weapons, officials said, AP reports from Seoul. The two sides also agreed to conduct inspections of suspected nuclear weapons sites.

A formal non-nuclear agreement will be signed by the two Koreas' prime ministers in February, they said.

The agreement binds Communist North Korea publicly to abandon what Seoul and foreign governments suspect is a programme that is within a few years of developing a crude atomic weapon.

Swiss may extradite Iranian

Switzerland said yesterday it was examining a French request to extradite an Iranian suspected of helping the killers of Shapour Bakhtiar, the former Iranian prime minister, in Paris last August, Reuter reports from Berne.

France formally asked Switzerland on Tuesday to hand over Zeyal Sarhadi, 25, who was arrested outside the Iranian embassy in Berne on December 23 on an Interpol warrant issued in Paris. Mr Sarhadi is suspected by a French investigating magistrate of helping Mr Bakhtiar's killers escape after they stabbed him and his secretary to death on August 6 at the Bakhtiar Paris home.

Aids threat to African workforce

At least 25 per cent of Africa's workforce is expected to be wiped out by Aids by the year 2010, according to the most conservative official estimates of the disease's infection rate, Reuter reports from Dakar.

Economists warn that the Aids pandemic threatens Africa with economic chaos beyond anything it has yet endured as it kills 5m or more adults in the next eight years. African officials say the entire world has a stake in helping their countries stem a disease that is already laying waste to some economic sectors of the continent. One in every 40 adults in Africa is already infected with the HIV virus that causes Aids.

Iraq call for public executions

President Saddam Hussein's eldest son called yesterday for a return to public executions to crush a wave of post-Gulf War crime, including car bombs, Reuter reports from Baghdad. Mr Uday Saddam Hussein's editorial in his semi-official newspaper Babil was the first Iraqi announcement that a car bomb caused an explosion in a Baghdad hotel parking lot on Monday, the first for years in the Iraqi capital.

In unprecedented praise for Saudi Arabia – springboard for the US-led allies who drove Iraqi forces from Kuwait last February after a six-week war – he said Riyadh's implementation of traditional Islamic justice effectively prevented crime in the kingdom.

UN envoy heads for Somalia

A United Nations special emissary arrived in Nairobi yesterday en route to Somalia's capital Mogadishu, where he will try to persuade rival clan factions to end nearly seven weeks of clashes, Reuter reports from Nairobi.

Mr James Jonah was scheduled to meet rival warlords Mohammed Farah Aideed and Ali Mahdi Mohammed to discuss ending the carnage, which has killed and wounded up to 20,000 people, and getting emergency relief operations restarted.

Rwanda protest call

Four Rwandan opposition parties have called on supporters to hold a protest march against the formation of a new coalition government which excludes them, Reuter reports from Kigali. Prime Minister Sylvestre Nsanzimana on Monday announced a new cabinet in which all but one of the 17 posts are taken up by members of the ruling party.

Togo government named

Mr Joseph Koffigoh, Togo's prime minister, named a new interim government and gave two key portfolios to aides of Gen Gnassingbe Eyadema, the military ruler whom soldiers wanted reinstated to rule the West African nation, AP reports from Lomé. The civilian prime minister was kidnapped on December 3 in a battle for his palace. He was freed after he agreed to name a new government, saying he wanted to avoid a bloodbath.

Suez transit fees increased

The Suez Canal authority raised its transit fees by between 11 and 18 per cent from yesterday, Reuter reports from Ismailia. Mr Ezzat Adel, the authority's chairman, said the move would raise 1992 revenues to a record $1.89bn (£1bn) against $1.77bn last year.

Indian premier charges Pakistan with 'state terrorism'

By K.K. Sharma in New Delhi

China has signed a contract to sell a nuclear power plant to Pakistan, the official Xinhua News Agency said in a rare report about Beijing's usually secretive nuclear technology transfers, Yvonne Preston reports from Beijing.

At the signing ceremony in Beijing this week, Li Peng, China's prime minister, said the 300MW nuclear plant was "totally for peaceful purposes". According to Li both sides agree the project will be open to International Atomic Energy Agency inspection.

He said the nuclear co-operation agreement would promote Pakistan's economic growth and benefit its people.

Beijing has come under fierce international criticism, especially from the US, for exporting nuclear weapons and nuclear weapons technology. The US has accused it of supplying Chinese M-9 and M-11 missiles to Pakistan and Syria, and helping Algeria develop a nuclear reactor which could be used for building nuclear weapons. China denies all these charges.

During Li's official visit to India last month the Indian government demanded that China cease exporting M-9 missiles to Pakistan. The missile has a range of 600km, twice that of the M-11.

China maintains its official line that it does not advocate, encourage or go in for nuclear proliferation, nor does it help other countries develop nuclear weapons.

The standing committee of China's parliament last week affirmed China's decision to sign the Nuclear Non-Proliferation Treaty.

MR P V Narasimha Rao, India's prime minister, has accused Pakistan of using "state terrorism" in the northern Indian states of Punjab and Kashmir.

Speaking at a meeting of the National Integration Council attended by all the main political parties, Mr Rao said "sponsored terrorism [was] being carried on from across the border". The "whole government, the whole state" was taking part in the terrorism, he said.

Officials have long blamed Pakistan for insurgencies in Kashmir and Punjab, but this is first time the prime minister has pointed a finger at India's neighbour, accusing it of "waging a proxy war" in the two states.

Relations between India and Pakistan, never good at the best of times, are bound to deteriorate following Mr Rao's charge but it is thought unlikely that military action will follow. Both countries are preoccupied with economic problems and would not willingly bear the cost of another conflict.

The meeting of the National Integration Council was held at the demand of the Hindu revivalist Bharatiya Janata party (BJP). The president of the BJP is now on a nationwide "unity tour" whipping up emotions on the Kashmir and Punjab issues. He plans to end it on January 26 – Republic Day – by unfurling the national flag in Srinagar, capital of Kashmir.

All parties, including the ruling Congress, have condemned the BJP tour on the ground that it would stir up communal tensions. Mr M.M. Joshi, the BJP president, has drawn large crowds during his tour, which is expected to gain momentum when he reaches the northern states next week. The council welcomed the government's plans to hold general elections in Punjab next month but could not adopt a common resolution on Kashmir because of the BJP's demand that the state should not be given preferential treatment under the Indian constitution.

- Pakistan said it had swapped lists of nuclear installations with India yesterday under an agreement aimed at easing suspicion about each other's nuclear capabilities, Reuter writes from Islamabad.

The Foreign Ministry said that the lists had been handed over by the two countries' missions in New Delhi and Islamabad under an accord ratified in January 1991 and aimed at banning attacks on each other's nuclear plants.

India and Pakistan, who have fought three wars since independence from Britain in 1947, both say their nuclear programmes are for peaceful purposes. But they accuse each other of having at least the potential to make nuclear arms. Neither has signed the Non-Proliferation Treaty, each citing the other's failure to do so.

EC rules on car tyres expected to boost sales

By John Griffiths

RECESSION-HIT tyre makers, distributors and retailers expect extra sales of at least 500,000 car tyres in 1992 as a direct result of the UK's adoption yesterday of tougher EC standards on minimum tread depths.

The British Rubber Manufacturers' Association expects sales generated by the stricter standards, enforced for up to two years in other EC states, to lift the stagnant market for replacement car tyres to 17.9m next year.

This will provide relief to an industry whose profit margins have been badly hit by the slump in new car sales and vicious price competition in the replacement market.

In recent months, beleaguered UK-based tyre makers, who early last year were almost without exception operating at a loss, have been able to convince car makers that price increases were needed on tyres supplied as original equipment. Without them, they have argued successfully, the tyre industry would have difficulty funding research and development and other investments

It was an important victory for the tyre makers, who last year provided some 7.4m tyres for fitting to new UK-produced cars. Then, in November, for the first time since the recession began, leading companies such as Michelin and Pirelli imposed replacement tyre price increases which so far have not only failed to spark an escalation of the price war, but have led to a general upward shift in prices of between 10 and 12 per cent.

Mr Peter Tyson, marketing manager of Pirelli in the UK, said both moves meant that UK operations "are once again on a profitable trend".

The EC rules require a tread depth of at least 1.6mm "throughout a continuous band comprising the central three-quarters of the breadth of tread and round the entire outer circumference of the tyre".

In spite of such requirements, the new standards are to be applied only to cars and light commercial vehicles.

Aviation insurers under pressure following crashes

By Richard Lapper

LONDON aviation insurers are facing multi-million dollar claims following two air crashes over the Christmas period which have aggravated losses in the market and increased pressure for higher insurance rates.

Claims totalling at least $95m "will increase the pressure for rate rises. A lot of cash will come out of the market," says Mr Jonathan Palmer-Brown of Nicholson Chamberlain Colls, the UK aviation insurance broker.

Premiums have been rising steadily over the past three months after reaching their lowest level since the early 1980s earlier this year.

The latest accidents, involving a China Airlines cargo aircraft at the weekend and a Scandinavian airliner on December 27, could together push insurance claims for 1991 to almost $900m. With premium income for the period amounting to about $300m, insurers and their reinsurers are facing significant losses.

Already this has led insurers to increase rates sharply for airlines renewing their cover over the past three months – 70 per cent of the world's airlines renew their annual insurance policies during the final quarter of the year.

The insurers of the Chinese aircraft, which crashed into a mountain after taking-off from the Taiwanese capital, Taipei, bound for Alaska are likely to face claims of at least $60m for the aircraft's hull.

In a separate incident on Friday a McDonnell Douglas MD80 jet airliner, operated by Scandinavian Airlines Systems (SAS), broke into three parts after its pilot attempted a crash landing when both its engines failed after take off from Stockholm's Arlanda airport. The airliner was insured for $35m.

All 129 passengers and crew survived. Although SAS is insured by the KSSAF consortium, which links it with several other airlines, the London market provides a significant slice of reinsurance cover.

Moreover underwriters have not been able to renew reinsurance policies on the same terms as last year and are therefore more exposed to any losses that may occur in the next 12 months.

De Gaulle stars in thirty-something series

Paul Abrahams and Emma Tucker find common ground in the cabinet papers of 1961

BRITISH troops were deployed in Kuwait and the cabinet was divided over the European Community. Sounds familiar? It should do. It's not 1991, but 1961, the year when the Berlin wall was built and John F Kennedy took over at the White House.

Thirty years ago prime minister Harold Macmillan decided to end centuries of glorious British isolation by entering the European Economic Community.

Cabinet papers released yesterday under the 30-year rule, which delays publication of such documents, demonstrates the triumph of continuity over historical change.

Britain was attempting to find its world role. While the cabinet was agreed that Britain should join the EEC, it was concerned about the subsequent implications on its own agricultural industry, the remaining European Free Trade Association countries and the Commonwealth. During the year, there were flurries of memos about sixes and sevens – the six EEC members and the seven Efta members.

The main obstacle to Macmillan's "Grand Design", as the prime minister called his plan to join the EEC, was France and its president, General de Gaulle who was demanding, according to Macmillan, "unconditional surrender" for entry. Mr Harold Watkinson, defence minister, thought the stakes were high: "If we succeed, I imagine we should lead Europe. But if this happens can de Gaulle still be Charlemagne?"

Looking for a role: newly published papers show Macmillan (above) wanted to join EEC

Macmillan's attempts to win over de Gaulle included schemes to supply France with nuclear weapons and send troops to Algeria after an army revolt in the French colony.

The newly installed President Kennedy was asked by Macmillan if the UK could supply the French, who had only just conducted a fourth small nuclear test, with nuclear weapons or nuclear technology.

The British ambassador in Washington told Kennedy there was little chance of the UK entering the EEC "if there was no change over the question of nuclear know-how". Nevertheless, Kennedy turned down the proposal. He argued it might weaken France's commitment to Nato, and Congress would never agree.

In the summer of 1961 prior to Britain's application to join the EEC, Macmillan dispatched a number of senior and reluctant ministers on a tour of former colonies to persuade them that Britain's enthusiasm for Europe did not mean they would be abandoned by their former coloniser.

Nearly all expressed "serious anxieties" over possible changes in trading relations and for some, the political implications.

Mr Jawajarlal Nehru, India's prime minister, was worried that Britain was joining forces with the other rich industrialised countries, leaving the developing countries to their fate.

For all their fears, the trading status of the former colonies was to remain "favoured" for at least a little longer.

Meanwhile, the cabinet was also concerned with obtaining payment from Kuwait for sending troops there to protect it from a possible Iraqi invasion. Macmillan wrote: "I know it is bad manners to talk money with sheiks, but at some point we must raise the question of a contribution by the Sheik for our very heavy expenses."

Economists predict further job losses and public borrowing

THE bad economic news for 1992 is that unemployment in Britain hits 2.7m, public borrowing stretches to £20bn, and consumer spending manages to rise only 1.5 per cent above last year's levels. The good news is that the majority of economists expect the recession to drag to a close this year and not to linger on into 1993.

These are some headline results of today's Financial Times' survey of New Year forecasts of the UK economy, which compares 1992 not with 1993 but with 1991, to give a fuller anatomy of the recession.

The survey compares the forecasts of economists from 23 universities, intergovernmental institutions, independent think-tanks, and City investment houses. Last summer, their consensus view was that the recession would end in 1991.

But the latest survey of the forecasts shows optimism has vanished into fears of a double-dip recession and the near-certainty that the general election would be fought against a tattered economic backcloth.

It also suggests that the occasional monthly expansion of output and retail sales volumes over the summer, combined with rosy surveys of business and consumer confidence, were not the green shoots of economic spring which Mr Norman Lamont, chancellor of the exchequer, had hoped for.

The prospects for recovery this year remain hedged with the big uncertainties of unemployment growth, the depression in the housing market, and growth recessions in the US, Germany and Japan.

Economists have been slashing their growth forecasts for 1992 right up until the last moment. On New Year's Eve, for example, Prof Douglas McWilliams, the Confederation of British Industry's chief economic adviser, predicted GDP growth of just 1 per cent for this year compared with 1.7 per cent in the CBI's forecast of a few week's earlier.

But Professor Wynne Godley, of Cambridge University, is the only economist who expects output to contract this year: by 0.8 per cent after a 2.4 per cent drop in 1991.

The average forecast for GDP growth by all forecasters is 1.7 per cent in 1992, much less than the Treasury's Autumn Statement 2.3 per cent growth forecast. They expect the contraction in 1991 to be 2.2 per cent, in excess of the Treasury's estimate of 2 per cent.

Consumer spending accounts for two-thirds of GDP, and forecasters are relying on income growth, lower interest rates and lower inflation to tempt people back into the shops. The forecasters expect the year-on-year rate of retail price inflation to be 3.7 per cent by the fourth quarter.

Underlying inflation should also show a decisive fall, as the recession further squeezes domestic prices and a firm exchange rate keeps the price of tradeable goods steady.

With average earnings growth due to outstrip price rises consumer spending is due for a slight rebound of 1.5 per cent this year after dropping almost 1 per cent in 1991. Spending will remain subdued as consumers adjust their debt-income ratios to more sustainable levels.

Unemployment will continue to mount to 2.7m (an average over the year) but at a slower rate than in 1991. This, combined with the squeeze on profits, and the constraint posed by UK membership of the European exchange rate mechanism makes for a slow and cautious consumer rather than export-led recovery.

"There are indications now that consumer confidence is improving, but rising unemployment is likely to discourage a sharp increase in borrowing," according to Mr Padhraic Garvey of Cambridge Econometrics.

That sterling will not be devalued in the European exchange rate mechanism, in spite recent talk of a realignment among Tory MPs, must be regarded as a certainty in the light the chancellor's pledges. For this reason, forecasters expect interest rates to remain high, although the government should be able to afford a cut of one percentage point by the year-end.

Most forecasts, however, were made in December before the Bundesbank raised Germany's Lombard rate by 0.5 per cent to 9.75 per cent.

The view of economists that there was room for cutting interest rates was also formed before sterling slipped close to its permitted lower limit in the ERM, prompting fears that the next interest rate move would be up, not down. The government, it is thought, will do its best to take 0.5 per cent off the base rate before the election.

One lasting hangover from the recession will be the sharp deterioration in the public sector finances. While the main thrust to demand will come from private sector consumption, public sector consumption will come a close second.

The public sector borrowing requirement (PSBR) is to bulge to £19.6bn in 1992-93, after around £11.2bn in 1991-92, largely reflecting cyclical factors but also the continual cost of mitigating poll tax bills and improving the public services.

Nor will the PSBR, apparently, preclude some "cheap and cheerful" giveaways in the budget. Most economists expect the budget stance to be neutral – not lowering or raising the tax burden. But given the likelihood of a weak economy in March, many feel there is some scope for an income tax cut, or even an pre-election handout of up to £2bn, perhaps for the housing market.

Rachel Johnson

If the customer is always right, the world's best airline is Swissair.

Air travel is more than just a convenient way of getting from A to B...or Z. Airlines compete with each other to provide passenger satisfaction. An airline's success, indeed its survival, depends on it. Over the past 26 years, an independent research company, the International Travel Research Institute (INTRAMAR), has developed techniques to measure this crucial factor. It has evaluated passenger satisfaction for a total of 95 airlines in 72 countries. Its latest survey, the recently published *Intramar World Airline Monitor 1990-91*, identifies the decisive influences:

Top factors in passenger choice of airline and satisfaction rating.

1.	Punctual flights	76%
2.	Excellent in-flight service	59%
3.	Superior aircraft	52%
4.	Comfortable seats	48%
5.	Efficient reservations	44%
6.	Discounts/money-saving deals	43%
6.	Good check-in service	43%
8.	Clean cabins, seats, washrooms	38%
9.	Good food and beverages	36%
10.	Attractive frequent flyer plans	28%
11.	Superior business class	26%
12.	Superior first class	17%

Who says so?

INTRAMAR interviewed 1,450 respondents in forty major cities, in 26 different countries in Europe, North America, Asia, and Australia. They are qualified to make a sound judgement by reason of two important sampling requirements. In the first place, they are all frequent travellers, who make an average of ten international flights per year. Secondly, they are experienced travel agents, with an average of ten years in the travel industry, who are professionally knowledgeable regarding airline service and performance. And they weren't just sent a questionnaire to fill out and return. They were interviewed in person.

How do they know?

From their own flight experience. Each of them had flown the airlines they reported on within the past three years – a total of 32,000 recent flights on 44 different airlines.

These seasoned travellers hold strong opinions. In most research studies, a high proportion of respondents will opt for an easy 'don't know' or 'no opinion' answer, usually between 10 and 20 per cent of any sample. In this survey of airline satisfaction ratings, more than 99 per cent of those questioned wanted to express an opinion.

How did they rate the airlines they fly?

In total, 44 airlines were graded in seven different categories (figures represent the number of airlines in each category):

Above average		Below average	
Super-Excellent	9	Fair	4
Excellent	12	Rather poor	6
Good	3	Very poor	6
		Extremely poor	4

Twenty airlines were rated below-average, in the categories 'Fair' to 'Extremely Poor'. The study does not disclose these by name, except to the airlines concerned. However, it does identify the 24 carriers which performed above-average:

The 24 top airlines.

Super-Excellent		Index
1	Swissair	180
2	Singapore Airlines	173
3	Lufthansa	165
4/5	Cathay Pacific	157
4/5	Thai International	157
6	KLM	154
7/8	British Airways	150
7/8	Japan Airlines	150
9	Finnair	149
Excellent		
10	Virgin Atlantic	148
11	Qantas	147
12	Air Canada	146
13/15	All Nippon Airways	144
13/15	South African Airways	144
13/15	SAS	144
16	Varig	137
17	Japan Air System	136
18	American Airlines	133
19	Air New Zealand	132
20/21	Canadian Airlines	124
20/21	Air France	124
Good		
22	Gulf Air	118
23	Malaysia Airlines	117
24	Delta Air Lines	108

The average Passenger Satisfaction Index for all 44 airlines surveyed is 106.

(It should not be assumed that an airline which does not appear on this list has a below-average passenger satisfaction index. The survey did not cover all of the world's airlines, just 44 of the better-known carriers.)

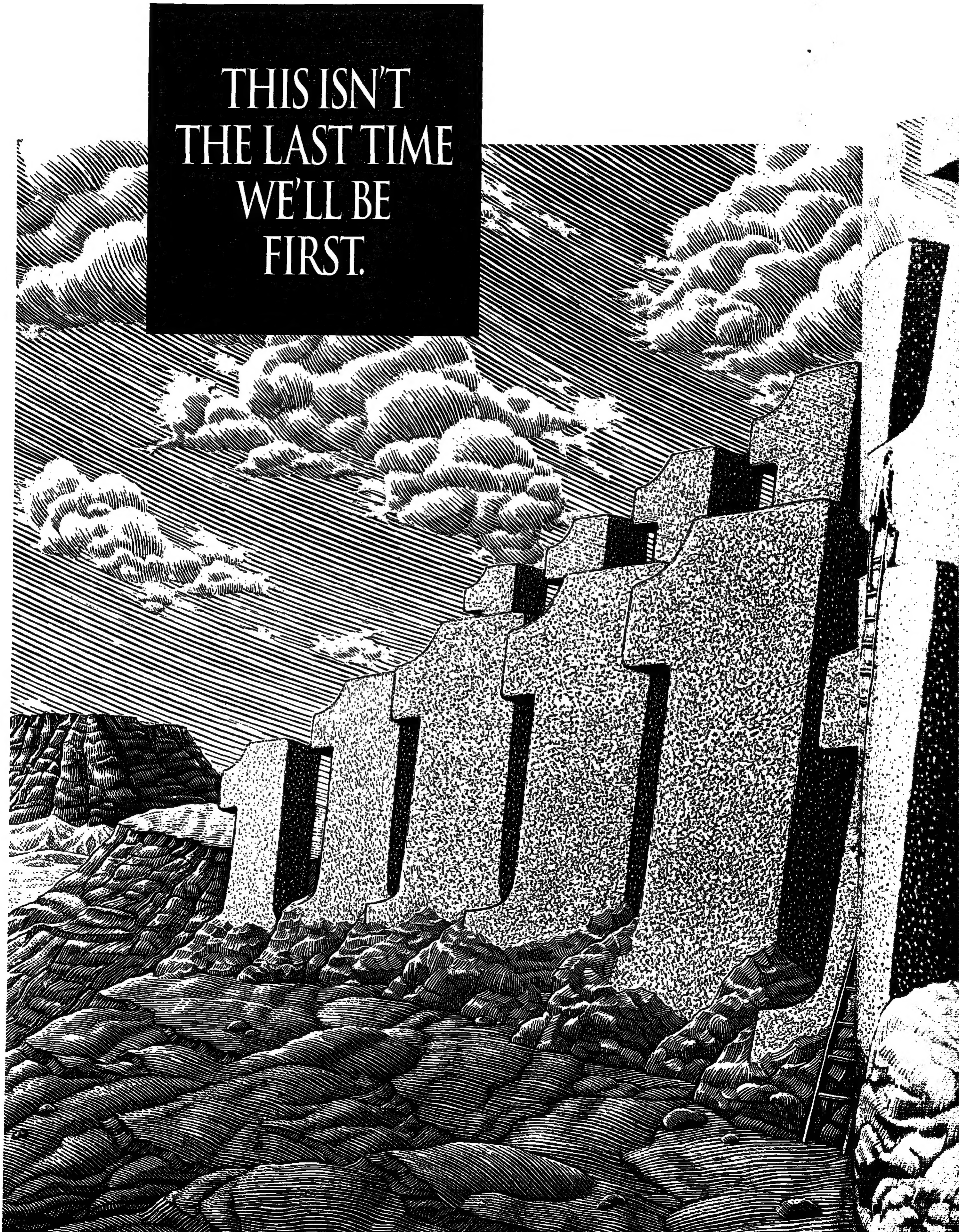
The competition to provide passenger satisfaction continues.

Swissair is proud to have been named as the first choice of the world's most knowledgeable and seasoned travellers. (At this level, the researchers say, the phrase should be 'passenger enthusiasm'!) We extend our congratulations to our 23 competitors who also achieved above-average ratings. We know how dedicated you have to be in every area of airline operation to gain the confidence of the travelling public. It takes a long time to win, and it can be so easily lost.

We also realise that these competitors will strive their utmost to dislodge us from first place in the years to come. So, for Swissair, the message of this survey is, 'If at first you succeed, try and try again'.

Swissair has obtained the permission to publish this information, which is extracted from an article written by Dr. George Hodel, director-general of the International Travel Research Institute (INTRAMAR), Hong Kong. It first appeared in the December issue of the magazine, 'Airline Business'.

swissair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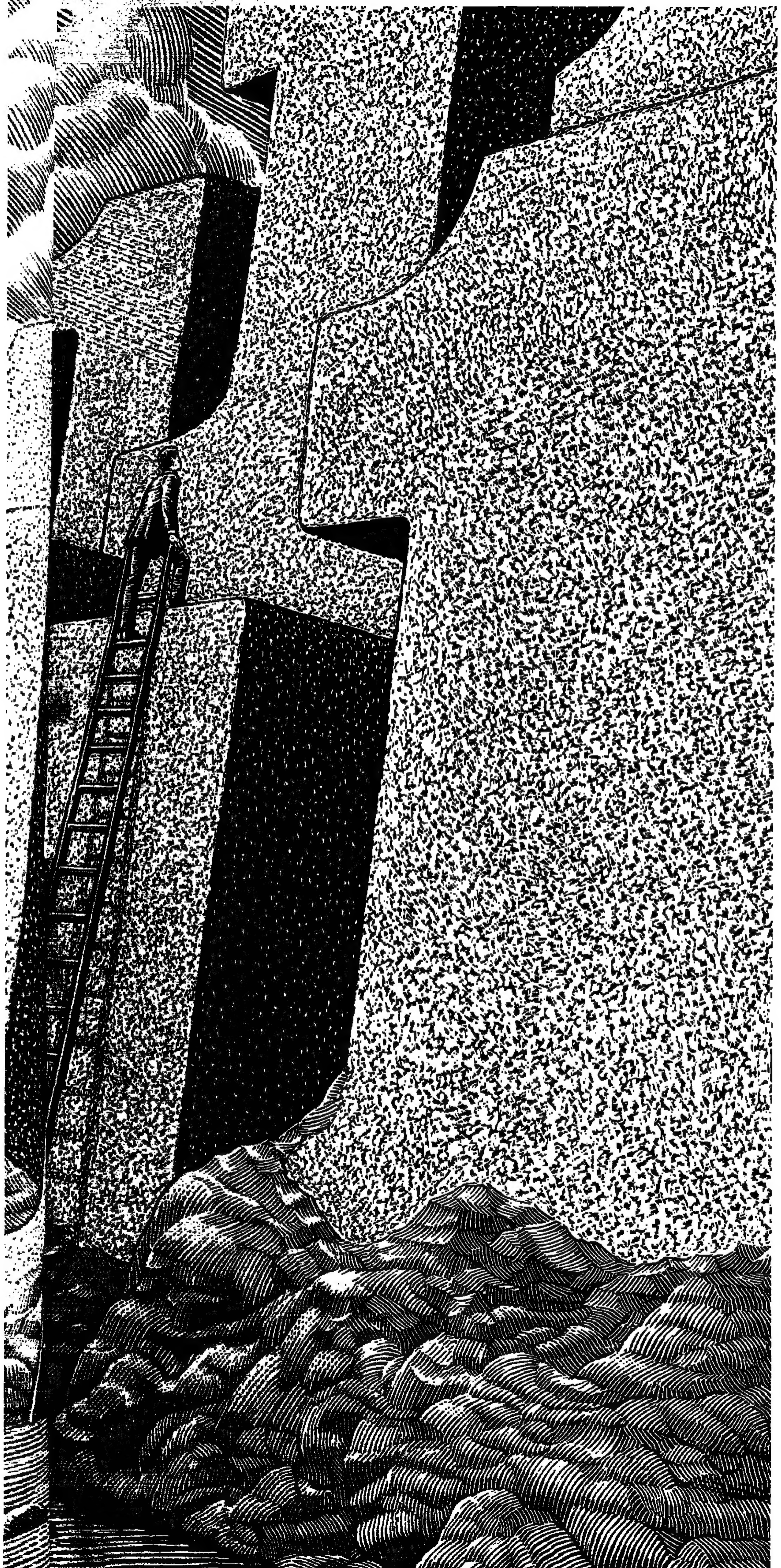

Now, Chemical Banking Corporation and Manufacturers Hanover Corporation are one.

The new holding company is Chemical Banking Corporation, with $139 billion in assets and $7.3 billion in shareholders' equity. Few competitors exceed our capital strength, which we will continue to build. Our financial strength and staying power are beyond doubt.

We were the first U.S. money-centre institutions to see the future and act on it, creating the kind of broad-based financial services company our customers need and the markets demand in the 1990s and beyond.

The new Chemical Banking Corporation is already first in key regional, national and global markets.

In the U.S. we rank first in primary banking relationships with American corporations. Through Texas Commerce Bancshares we are the number one financial institution serving Texas business.

Globally, our combined capabilities have propelled us to the top-tier ranking in international credit and capital markets. We are first in loan syndications and sales and LDC asset trading. We are also a leader in foreign exchange and derivative products.

In operating services such as cash management, funds transfer and global securities, no other institution will have more customers or so broad a range of high-tech product offerings.

Our merger also serves as the model for an industry; other U.S. financial institutions are now following our lead, and the consolidations needed to revitalise American banking are under way countrywide.

As our customers and competitors will soon learn, this is not the last time we'll be first.

CHEMICAL

MANAGEMENT: Marketing and Advertising

A LIGHT Mexican lager served with a slice of lime in the neck of the bottle has become the latest trend in British clubs, pubs and restaurants.

Sol, brewed at Veracruz on Mexico's Gulf coast, has become the fashionable drink to be seen with.

Introduced at a Mexican restaurant in London's Covent Garden in 1985, UK sales of Sol were 22,000 bottles by 1987.

This year they are expected to reach 48m bottles, worth a total of about £50m.

Now widely distributed through pubs, bar-restaurants and off-licences, Sol is positioned to turn its trendy image into a more established feature of the UK beer market.

But in spite of its current marketing success, the odds against it doing so are great.

Most so-called fashion beers turn out to be no more than froth on the market. They bubble briefly, then go flat.

Very few settle into a permanent market niche; even fewer expand into mainstream brands.

Imported premium lagers – as distinct from those brands such as Belgium's "reassuringly expensive" Stella Artois which are foreign-owned but brewed in the UK – amounted to about 1.1m barrels last year.

That is little more than Britain's beer drinkers consume in 10 days; but its retail value is about £350m.

Even so, more than 200 brands from 20 countries continue to strive hopefully to capture the sort of attention now being accorded to Sol.

There are a further three from Mexico – Corona, which enjoyed a short but spectacular boom in the US, Dos Equis, a dark lager, and Tecate, which is best sipped, some say, from a glass with a salt-encrusted rim.

Rolling Rock, which comes from Latrobe, Pennsylvania, in distinctive long-necked green bottles, is sponsoring jazz concerts to acquire the sort of trendiness in the UK that it enjoys in Manhattan.

From Canada comes Moosehead and Molson, which was launched in 1988 with a £2m advertising campaign by Jim Dunk, an overweight, balding actor who perversely advised beer-drinkers to avoid the brand.

Budweiser Budvar and Pilsner Urquell have come with exemplary quality credentials from Czechoslovakia.

There is San Miguel from Spain, Sapporo Dry from Japan, Steinlager from New Zealand and Furstenberg from Germany.

Fresh from his marketing triumph with Sol, Harry Drnec, chief executive of Maison Caurette, the independent UK drinks distributor, has launched Genuine Miller Draft, the sixth best-selling US beer, into the market.

Cold-filtered to preserve flavour, and free of additives, the beer will sell for £1.60 to £2.50p a bottle in pubs and clubs.

Prospects for imported lagers have never been better, according to Drnec.

Fashion beers

Pulling ahead before the bubble bursts

Philip Rawstorne looks at the popularity of imported brews

OLD MILWAUKEE beer, made by the Stroh Brewery of Detroit, has been receiving an extra boost of brand recognition with a Playboy magazine cover feature of its "Swedish Bikini Team".

The "team," composed of five buxom American women in blond wigs, is an ad agency's invention for the beer maker's television commercials. The Playboy spread might seem the target marketer's dream come true. But the problem is that Stroh's "Swedish Bikini Team" is at the centre of a novel controversy in the marketing world.

Stroh is being sued by five female workers at its brewery in St Paul, Minnesota, who allege that the commercials foster a climate tolerant of sexual harassment in the workplace. They charge that they have been subjected to a pattern of physical and verbal sexual abuse, and link the commercials to it. Lawyers for the women say the Bikini Team TV commercials are demeaning to women and other advertising posters of scantily clad women have been "directly used as tools of harassment".

The company describes the allegations as "preposterous" and says it has a policy against sexual harassment. It has not halted the "Swedish Bikini Team" marketing campaign, which began last spring and, if similar to others, will run for about a year. George Kuehn, senior vice-president of Stroh and its general counsel, said that the company "had nothing to do with the appearance of the team in Playboy". But it did nothing to stop them.

The lawsuit, which seeks unspecified damages and an end to the marketing campaign, could pose an entirely new business risk to advertising. If successful, it could for the first time link adverts to sexual misconduct in the work place.

Barbara Durr

The UK's premium lager market is growing at 12 per cent a year.

Consumers are trading up, prepared to pay higher prices for what they perceive as better products; and drinks retailers, meanwhile, are competing to offer a greater choice.

"It was the development of wine-bars in the late 1970s and early 1980s that first opened the market for imported bottled beers.

"That continued with the trend to bar-restaurants," said Drnec.

"Now that the major brewers have been forced by the Monopolies and Mergers Commission to separate their pub retailing operations from their breweries, pubs are moving in the same direction. They are now being run by professional retailers, concerned more with catering for consumer choice than with pushing through volume sales of one or two beers."

The growing take-home beer market has also been encouraging supermarkets and off-licences to extend their range of brands.

But the 200 brands are competing for a narrow slice of a sector which is dominated by Holsten Pils and Beck's from Germany, and Grolsch from the Netherlands.

These three brands last year accounted for more than 80 per cent of imported lager.

Holsten – long advertised as the "odd lager" – is brewed in Hamburg to Germany's strict purity rules and is by far the largest brand in the sector with annual retail sales of £200m.

It was launched in the UK in the post-war gloom of 1949, long before the British pub-goer had acquired a taste for any lager.

Courage, which distributes the beer, keeps the brand trendily up-to-date with £6m-worth of advertising humorously focused on anagrams of the brand name, such as Stops In Hell.

Beck's was introduced into the UK at Joe Allen's restaurant in London in 1978.

Within a few years, its distribution was taken over by Scottish & Newcastle, the UK brewer which is strongly represented in the take-home trade.

Last year, Beck's sales totalled 170,000 barrels; this year they are expected to be about 30 per cent higher.

Grolsch entered the UK market in 1979, setting up its own marketing and sales organisation to develop the brand.

With the slogan "You can't top a Grolsch", its advertising first focused on the beer's swing-top bottle as a distinctive and stylish brand emblem, then gradually widened the message to convey the quality of the product.

The measured pace of its promotion over more than a decade lifted sales to 140,000 barrels last year. Growth of more than 20 per cent seems likely this year.

The development of Holsten, Beck's and Grolsch, suggests that success in the market depends on two factors – a fashionable or stylish image to distinguish a brand from its competitors; and a record of product quality that will sustain its appeal after the novelty has worn off.

"Both are essential," said Keith Lay, UK marketing manager for Grolsch.

Warsteiner and Hacker Pschorr, two German brands with an impeccable heritage, have made little impact in the UK because of their lack of fashion appeal.

Sol, with a stylishness carefully nurtured in London's chic bars, has got ahead of the pack.

It has yet to prove it has the stamina to stay there.

Some food for second thoughts

By Nikki Tait

Fancy some "No salt added, thin ribbon candy", "Light and Lean" sausages, or perhaps a "33⅓ per cent less sodium" shank of ham?

All were sitting on a Manhattan supermarket's shelves this week – but not, perhaps, for much longer. Given the voluminous regulations on food labelling which have gushed from America's Food and Drug Administration over the past few months, such winning descriptions may be soon be a thing of the past.

The impact of the new rules promises to be substantial. When fully implemented in mid-1993, for example, every packaged food item in the US must give full details of its nutritional and calorific content. The manufacturer must also list such information in terms of a standardised portion size, permitting comparison with rival lines.

Should it wish to make broader "health" claims – asserting, for instance, that a product is "low-fat" or "sodium-free" – the boast must meet strict definitions. Meanwhile, supermarkets will have to display nutritional background on the 20 most popular raw fruits, vegetables and types of fish.

The only products to be spared this labelling inquisition will be spices, restaurant food and small packages – no bigger than a packet of "Lifesavers". Food produced by very small businesses, where food sales are under $50,000 a year and total sales less than $500,000, will also be exempt.

The driving force behind this radical overhaul is largely political. Years of lax regulatory supervision, a growing public obsession with health and healthcare costs, and the wave of exaggerated claims by manufacturers, have all combined to make food-labelling a hot topic.

The marketing upheaval has already begun. It is debatable whether the impact is more onerous for large companies, with sizeable product lines but ample corporate resources, or smaller manufacturers which lack in-house lawyers and the like. But it is indisputable that both are significantly affected.

Take Kraft General Foods, part of the giant Philip Morris group. Here, a bevy of lawyers are pouring through the new rules and trying to assess the implications for some 7,000 products. Essentially, Kraft says it expects to divide products into three categories – those which are basically unaffected, those which it will need to reformulate, and those where considerable relabelling needs to take place.

Once the "master-list" is drawn up, R&D staff will become involved in the reformulations – something which is difficult when proposals only exist in draft form and there is still scope for industry-wide bargaining over the FDA's definitions. Kraft says it is too early to quantify the cost of the exercise, but expects it will run to "millions of dollars".

At a different end of the spectrum, Ben & Jerry's, the much-loved Vermont-based ice cream maker, is publicly stoical. It was the late-1970s when the two hippie-style founders – Ben Cohen and Jerry Greenfield – started producing home-made ice-cream in a small New England town. Today, the product sells across the US, although the company still wears its social concerns on its sleeve. No one would deny that the ice-cream is rich, sinful, and utterly delicious – but won't consumers think twice when they see the calories spelt out on the label ?

"People who eat our ice-cream aren't doing it for dietary reasons," says Ben & Jerry's, hopefully. "Basically, it's a reward thing."

Nevertheless, it is worth noting that the Ben & Jerry's "Light" line is being phased out, to be replaced by a series of low-fat frozen yoghurt products. The manufacturer insisted that this would have happened anyway, but its rationale for the decision is telling. The light ice-cream, it says, was "just not low enough", providing upwards of 200 calories per 4fl oz portion.

In the FDA's brave new world, that is a matter which will be beyond dispute. "Light", says the FDA, must refer to a food that contains one-third fewer calories than a comparable product.

CINEMA IN 1991

Same old message, but Politically Correct

Time for the round-up of the year. This is the occasion on which a critic breaks open his memory bank only to discover that he has been robbed, probably sometime during the festive, low-security hours of Christmas Day. "What films really stood out during 1991?," someone asked me this Christmas over the dangerous third Martini. I was flummoxed. I scratched my coloured paper list and caught a fleeting mental glimpse of all the movies I had seen during the year. Then it was gone. I had to return to my notes on sober Boxing Day to remember it all.

Now they leap forth. All those multiple murderer films like *The Silence Of The Lambs* and *Henry, Portrait Of A Serial Killer*. All those new black films like *Boyz N The Hood* and *Young Soul Rebels*. All those feminist-agenda thrillers like *Thelma and Louise* and *Misery*, where women adopt the hunter-harrier roles usually played by men.

But as one would expect from a palindromic year – '1991' reads the same backwards or forwards – a cinema trying to reverse itself ideologically kept finding that it was saying the same old things. *Dances With Wolves* essayed a reconstruction of the Western for the age of Indian Rights and ended by sending much the same sexist, racist messages as before under a "politically correct" banner. (The gone-native hero is allowed to fall in love, but only with the tribe's one adopted white woman). And *Thelma and Louise*, Ridley Scott's brilliant trans-American action thriller, put two females at the wheel of the plot and was then accused of making them do the same thick-eared, screechy things that men would have done.

That, of course, was part of Scott and writer Calli Khouri's point. *Plus ça change* in the age of political correctness, *plus c'est la même chose* with a new dash of colour or cross-dressing.

If *Thelma and Louise* was saved by self-awareness, that commodity was in short supply elsewhere. Nowhere did the radical resemble the dressed-up reactionary, with no irony in sight, than in the new black cinema. In *New Jack City* and *Boyz N The Hood* sexual and racial stereotyping stomped across our screens; and only Spike Lee's *Jungle Fever* wittily acknowledged that the same bigotries that flourish in the white community are alive in America's black community.

Amid so much New Age tub-thumping accompanied by Old Age prejudices, many filmgoers warmed to the serial killers on view. Few of these even pretended to be "brothers" or "sisters" or paragons of political correctness. All they wanted to do was to kill you: or in the case of Anthony Hopkins's mesmerising Hannibal Lecter in *Silence Of The Lambs*, to eat you.

How refreshing to have a group of characters who laid it on the line. So refreshing that Hollywood cannily attempted, on at least two occasions, to cross serial killing with political correctness. There was a box-office jackpot for *Robin Hood Prince Of Thieves*, whose hero knocked off more Normans in his time than Hannibal Lecter had non-vegetarian dinners. And in *Terminator 2* Arnold Schwarzenegger walked about America serially clobbering every baddie in sight and earning \$200m at the US turnstiles.

But to these comic-strip hero-killers I preferred the higher complexities of the psychopath films: especially the terrifying human riddles posed by a movie like John McNaughton's *Henry, Portrait Of A Serial Killer*. This is the story of a plain affectless chap who goes around murdering people for – well, for what? Hardly, to judge by his joyless expression, even for the hell of it.

If "causeless" actions are the modern world's greatest moral challenge, then the most bracing feature of the cinema in 1991 was the demolition work done on the very idea of cause-and-effect: not just in the moral presentation of character but in screen storytelling as a whole. Which of us is the same after *Twin Peaks*? Even if we never saw David Lynch's TV serial, we read about its cult status and cuckoo stylistics. And we see its influence, or that of the aesthetic climate that produced it, in American films like Todd Haynes's *Poison* (bizarre interweaving of three movie-pastiche thriller tales) and Hal Hartley's *Trust* (young love, family strife and non-stop non-sequiturs); and also in European films like Patrice Leconte's *The Hairdresser's Husband*, a tale of *l'amour fou* with the stress on *fou*, and Jaco Van Dormael's gleaming *Toto The Hero*, a sort of revenge opera done as a comic strip.

Multi-style fantasy: Robin Williams and Jeff Bridges in 'The Fisher King'

Today's audiences are learning how to meet multiple-choice aesthetic challenges that would have been unthinkable ten years ago. The success of a multi-style fantasy like *The Fisher King* – not so much a shaggy dog, more like several mongrels fighting in a sack – proves that. Meanwhile films of single-track moral momentum, even when done on an epic scale, begin to seem like yesterday's steam engines. Huffing and puffing towards their climactic messages, movies like *The Bonfire Of The Vanities* and *Havana* try to carry audiences to a destination they have been to a hundred times before and do not want to re-visit, thank you, even in a luxury dining car with all-star passengers.

This suits Britain perfectly. We have no stars: they have all retired or gone into Labour politics. And we have no money with which to make British epics: it has gone into making other people's epics like *The Last Emperor* and *Dances With Wolves*. Instead we have a cottage industry that makes picturesque fixer-uppers: films like Anthony Minghella's *Truly Madly Deeply*, Derek Jarman's *Edward II*, Stephen Poliakoff's *Close My Eyes*, Peter Greenaway's *Prospero's Books* and Ken Loach's European Film Award winner *Riff Raff*.

Role reversal: Susan Sarandon and Geena Davis in 'Thelma and Louise'

Much talent and variety. Should we mind that the results belong more on the small screen than the large? Or that the most beautiful and arresting film of the year, Derek Jarman's *The Garden*, was not even shot on conventional film: rather on a mish-mash of video and Super-8 and anything else Jarman could find in his odds-and-ends bin? The rules of film-making as we prepare to leave the second millennium A.D. are as follows: There are no rules. There are only brave artists trying, with any means at their disposal, to wean audiences from the old orthodoxies and the old expectations.

My Top Ten for 1991. *The Garden, Toto The Hero, Avalon, Riff Raff, The Fisher King, Thelma And Louise, Miller's Crossing, Jungle Fever, Mr And Mrs Bridge, Proof.*

★

The first film of the New Year, as so often, seems like a summation of the previous year. *Delicatessen* (15, Metro, Gate, Screen on the Hill), a first feature by two French animators Jeunet and Caro, boasts a serial killer, a pixillated plot and a blithe disregard for anyone who likes to deal with one genre at a time. Old-dark-house horror jostles with sight-gag slapstick and with a gentle love story involving the evil butcher's pining daughter (Marie-Laure Dougnac) and the new male tenant (Dominique Pinon) who might or might not end up feeling the sharp edge of Papa's cleaver.

Set in a fog-girt tenement house that could have been designed by Roland Emmett with help from Gustave Doré, the film's black humour has a manic charm. A virtuoso opening sequence – tracking shot through streets, close-up of cleaver being sharpened, tunnelling shot through house's intestines to face of a terrified man – renders us supple for the gymnastics of style and story that follow.

We meet an old codger who lives in a waterlogged room teeming with snails and frogs. We see a boomerang clasp-knife bring horrible justice to its user. We watch two underwater lovers kiss in a flooded bathroom. And we experience a cacophony that turns to filmic poetry as the house's percussive sounds – a metronome, a creaking bed, a carpet being beaten – are swept up into a musical montage.

If *Delicatessen* blueprints a new European surrealism, *Bill And Ted's Bogus Journey* (PG, Odeon West End) dusts off yesterday's American version. Last time around, our bubble-headed heroes (Keanu Reeves and Alex Winter) time-tripped through the universe meeting Socrates, Napoleon and Genghis Khan and wowing them with the wonders of Valleyspeak. This time they are just as appealing: visiting Heaven and Hell, defeating a cosmic conspiracy and meeting Death, who wields a Swedish accent and plays a mean game of Cluedo. As I was saying, simple down-the-line plots are beginning to look like yesterday's cinema . . .

Nigel Andrews

When marketing triumphed over musical endeavour

Andrew Clements bewails the state of London concerts during 1991

The recession bit harder into London's concert life in 1991 than anyone could have predicted. The closure of the Wigmore Hall in July for a year's refurbishment should have created extra dates to be slotted in elsewhere, yet promoters seemed only too eager to scale down their activities. Dark nights peppered the schedules of all the major halls, and though the major London orchestras dutifully offered their standard numbers of dates and roster of conductors, as often as not they were interspersed with concerts brazenly labelled "classics for pleasure", "classical pops", or "arias from the great operas".

It was as if the only reliable way to ensure decent-sized audiences lay in eliminating anything unfamiliar or demanding from the programmes, and giving the punters exactly what they knew they liked. Never had the denominator of the musical fare put before London's concert-goers sunk so low, or been so obviously driven by marketing rather than artistic forces.

To a musical culture ruled more and more by the banalities of the major record companies and their packaging ethic the bicentenary of Mozart's death must truly have seemed like a divine gift; for one year at least concert promoters could be spared the chore of devising a new thematic slant or concocting enterprising single programmes. When in doubt play Mozart: anything would do, and did. After 1991 no one will be able to leaf through the pages of Köchel's catalogue and wonder whether pieces such as *Il sogno di Scipione* K.126 or *La Betulia liberata* K.116 were worth reviving; there were more chances to hear such works this year than in all of the previous half century.

The South Bank's own Mozart celebration during August was an honourable exception to the indiscriminate chronologies of so many of its counterparts. By concentrating on period-instrument performances, and inviting the world's best specialists to give them, it offered a serious chance to assess the state of authenticity, and to measure the distance travelled in what is certainly the most important shift in our perceptions of Mozart and how his work should be interpreted, since the bicentenary of his birth 35 years ago.

Apart from the Mozart binge, the South Bank scaled down its thematic planning in 1991 for reasons one suspects were as much financial as artistic; small-scale celebrations devoted to Elliott Carter early in the year and to post-war Italian music during the autumn were the most significant offerings. The Barbican celebrated Prokofiev's centenary with a festival presided over by Rostropovich, and used the capacious umbrella of the Japan Festival (generally more worthwhile for dance and the theatre, one feels, than for its music) to provide a weekend of Takemitsu. The BBC turned its annual week at the Barbican into a showcase of Henze in the year of his 65th birthday; for 1992, though, the corporation will forsake living composers for a three-day festival of the 56-years-dead Alban Berg.

In what has been with few reservations the dullest year in two decades for music in London, there were times when it was all too tempting to switch attention to Birmingham, where Simon Rattle and the CBSO had already won the trust and respect of their audience in a way that the London orchestras could only dimly imagine, and which for several seasons now has enabled them consistently to offer imaginative, varied and wonderfully realised programmes.

This year too, Rattle and his orchestra at last got their new concert hall, leaving the treacherous acoustic of the Town Hall for Symphony Hall's wonderfully rounded ambience; within the first few concerts it was clear that this was by a long way the finest auditorium in the British Isles. Return visits have failed to reveal any blemishes and suggest that the hall measures up to the best in Europe, evoking comparisons with the Concertgebouw in Amsterdam, the Musikverein in Vienna, and also that the CBSO itself is rapidly moving into the class of the orchestras that are based in those venues.

Birmingham also has its own new-music ensemble, the Birmingham Contemporary Music Group, which continues to make modest yet steady progress. In general, though, it was not a good year to be selling new music. The falling-away of audiences could not have come at a worst time for the London Sinfonietta, still trying to rediscover its direction and identity after the death in 1989 of its artistic director Michael Vyner; there were occasions during the year when it seemed only a shadow of its former self, though the three concerts with which it celebrated Henze's birthday in December gradually brought a return to something like its old ebullience.

The greatest loss to London's new music, though, was the demise of the Almeida Festival, allowed to wither away without any great attempts to resuscitate it from by the artistic management of the Almeida Theatre itself or the arts-funding bodies that had previously supported it. Nothing really could fill the gap, and the range of living composers heard in the capital was correspondingly narrowed. The Huddersfield Festival, though, offered its usual varied menu and the Royal Opera brought forth the year's most significant new work with the premiere at Covent Garden of Birtwistle's *Gawain*. Most pieces would pale beside that, and with the exception of John Casken's rhapsodically lyrical Cello Concerto, unveiled at the Lichfield Festival, and Tippett's *Byzantium*, given its British premiere at the Proms, it's hard to settle upon anything of enduring worth introduced by a British composer during 1991. Certainly none of the Proms commissions passed muster in a season at the Albert Hall of generally high performing standards and decent audiences, as impervious as ever to the chill financial winds biting elsewhere.

Perhaps it is appropriate that at the end of 1991 one should be left with two utterly contrasted memories of concert life in London during the year, each in its own way deeply disquieting. The first is of a BBCSO concert at the Festival Hall early in the autumn, for which the audience gathered together would have been hard pressed to fill the front stalls; the programme of Haydn, Xenakis and de Falla was neither good nor bad, just average, but certainly not, in marketing terms, sexy.

The second image is one of the Barbican foyer on the eve of Mozart's death day. The concert was to be a sold-out performance of the Mozart Requiem. It was one of several in London that night, and decently rather than spectacularly cast. Yet the queue for returns stretched across the foyer and into the road outside. It was as if everyone wanted to be in on the act, to join in some sacremental rite. The graven image just happened to be Mozart; the real idol was hype and the triumph that of marketing over artistic endeavour.

The Nutcracker

COVENT GARDEN

For the second year running, a pair of principal dancers from the Dance Theatre of Harlem are appearing in the Royal Ballet's *Nutcracker*. The Royal Ballet has no black dancers, though it has a few Oriental ones, and few people in its Covent Garden audience are black. This gesture is welcome inasmuch as it lifts a colour bar that other British ballet companies have already been removing.

This has just been a beginning. In January the Harlem prima ballerina, Virginia Johnson, dances Giselle with the Royal at Covent Garden. More important yet, the Royal and Harlem companies are working offstage in teaching ballet to London's black children.

A black star is one thing – but one day we may see a black girl amid the corps de ballet of Snowflakes. I hope so, though I hope that when blacks dance in the Royal ranks they are chosen not for tokenism but for excellence.

Judy Tyrus and Donald Williams, the current Sugar Plum couple, are very welcome. Both handsome, they have unusual glamour in Julia Trevelyan Oman's fussy-pretty costumes (the Prince's costume made even Anthony Dowell look like a Christmas cracker).

Their dance style is not brilliant but is beautifully pure. I love their basic carriage, relaxed and radiant. Their waists glow, whereas this central area today is usually dead or strained with most Royal (and most European) ballet dancers. A few tiny smudges were surely attributable to nerves and did nothing to spoil their success. Their line is clear, their phrasing sure.

I saw two Covent Garden *Nutcrackers* in a day. Mark Ermler conducted both performances. His account was more theatrical and conventional than his 1989 recording and less sonically artificial. But he is not a great dance accompanist, and he does not relish the score's warmth and lavish detail. The matinee Sugar Plum was Viviana Durante. The whole of her dancing is less the sum of its parts, but I certainly marvel at its many exquisite features.

I hail, however, Bruce Sansom's performance as her cavalier. This dancer, returning to his native Royal amid a year with the San Francisco Ballet, has always shown more niceties of style than most men at the Royal, but it is only of late that he has begun to show the kind of firm purposefulness that makes real sense of ballet's princely roles.

On this occasion he danced with a new calm and authority, and his partnering was glorious. San Francisco, where the great dancer Helgi Tomasson directs, is probably a good place for Sansom to grow further. Still, I hope he rejoins the Royal soon.

The Sugar Plum pas de deux is the great event of Act Two, but in this staging the overwhelming moments are the scene-changes in Act One. The growth of the Christmas tree and toys to giant proportions – just what Tchaikovsky wanted here – is one of the marvels of Covent Garden, and a high point of Julia Trevelyan Oman's art. Almost as thrilling is the moment when a silk dropcurtain suddenly falls into the floor.

I can't bear, however, the extent to which that Peter Wright (the producer) makes Drosselmayer the manipulator of the whole show from first to last. Little of this is in the music and, in the obsessive way Stephen Wicks plays the role, it is creepy. Jonathan Burrows, mercifully, gives the role more tenderness and fantasy. Among the many supporting dances, I single out Stuart Cassidy (always outstanding) and Fiona Brockway (reaching a new brightness as a soloist).

The party includes some nicely Dickensian vignettes of character playing, and Anthony Bourne is especially fine in the title role – touching, droll, mini-heroic.

But the freshest dancing and the most adorable performing are given by the children (Royal Ballet School). I am a sucker for good child performances, and little Hayley Discoll, as Clara, went straight to my heart. Her sincerity, vulnerability and joy are the best rebuke to everything this production gets wrong, the best sign of all its gets right, and the true heart of what *The Nutcracker* is all about.

Alastair Macaulay

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Next steps for the EC

TWO VISIONS vie for supremacy in the "construction" of the new Europe. One vision is of a new superpower, its economy sharply defined by its frontiers and its policies a mixture of warily liberal and aggressively interventionist. This Europe views outsiders as adversaries and power as its proper pursuit. The contrasting vision is of a Europe open to the world. This Europe sees its economy enriched and its welfare enhanced by a combination of economic competition and policy co-operation with outsiders.

Both internally and externally, the European Community should choose the second vision. This is of particular importance in executing the programme that is now, after the Maastricht summit, again the centre-piece of internal development: that to complete the internal market. This has far to go if such important barriers to an open and competitive market as nationalistic public procurement, public monopolies and unduly restrictive regulation of financial services are to disappear.

Equally important is whether the internal market is to be fiercely competitive or whether cartelisation, encouragement to mergers and joint ventures, and generous state aids are to repeat the failures of policies pursued by individual member states. Only a competitive European market will create companies that can compete, without protection, on the global stage. If European companies are unable to compete, because they have been too long protected from the need to do so, then the EC itself will turn protectionist. From electronics to cars, European business must realise that it can only hold its markets by supplying goods to customers, not pleas to politicians.

Stagnating economy

Completion of a competitive internal market is made vastly more difficult by the stagnation now befalling the European economy. That stagnation is equally threatening to the EC's other main economic goal: monetary union. For the European economy is being strangled by interest rates suitable to the unique circumstances of Germany.

The question of realignment arises. As Bundesbank vice-president Hans Tietmeyer has rightly said, a decision to upvalue or devalue a currency in the ERM has to be made by the national government in question. But he also stressed that "we don't live in a fixed exchange rate system yet".

Realignments are virtually ruled out within the current ERM, for three reasons.

- Only if there is a chance that the D-Mark might be subsequently devalued, could interest rates in other currencies fall much below those in Germany. This would amount to the Bundesbank's abandoning the position that the D-Mark should always be the safest currency in the system.
- Only large devaluations would make much of a difference either to competitiveness or to relative interest rates (by making subsequent revaluations more likely).
- But the possibility of large realignments in an ERM without exchange controls would make it highly unstable. Counter-inflationary credibility would be impaired as well.

General policy

A few countries may decide that they are so far from equilibrium that they might as well start again at different exchange rates, provided only that they give some hope of growth. But, as a general policy for the EC, realignment would be a disaster.

For the most part, countries should soldier on with their parities in the knowledge that German rates will turn down again, perhaps in the not too distant future. In the meantime, those countries that hope to stay the course should move swiftly to greater independence for their central banks and, at the same time, push for more influence over the management of the ERM.

Completion of the internal market and maintenance of monetary stability are the twin challenges of 1992 in the EC's internal development. Neither is as important as what awaits the EC externally. But they are the condition for all the rest. The EC matters to the world, because of the success of its economy. That success remains the foundation of its future.

Europe's role in the world

THE TIME of adolescent introspection is past. Free of the benevolent tutelage of the US, the EC must now make its own destiny as an adult. It must do so as mindful of the ruin that succeeded Europe's last period of autonomy, as of the opportunities and dangers that confront it today.

Though Europe's child, the US has played a parental role towards it over the past 50 years. Success has crowned that effort, but the US is now weary and disillusioned. Europe must share the burden of leadership, but should beware substituting a destructive rivalry for the co-operation that is in its higher interest.

Co-operation between Europe, the US, and Japan is the *sine qua non* of global stability and progress. Little of global significance can be done if they fail to co-operate; should they do so, little is beyond them.

At the top of the agenda in the post-cold war era is economic co-operation, the first item of all being the Uruguay Round of multilateral trade negotiations. Nothing could justify the damage to international trade that would follow failure of these negotiations. Still less could the Gatt's collapse be justified by defence of a policy as wasteful and corrupting as the common agricultural policy. The EC will argue that it should not yield to US bullying. But it should remember what it owes the US, and repay a part of that debt.

In the world, Europe must be an equal partner; *vis-à-vis* its neighbours it should be the leading one. The implosion of the old adversary has created a unique opportunity and a mortal danger. Stable market-oriented democracies need to be established in some 20 enfeebled and fractious states, polluted remnants of the last European empire.

Russia's case

The Russian colossus must be the starting point. Once again, there could be but a brief interlude of democracy between tyrannies. The Russian government, under Boris Yeltsin, is determined on economic reform in conditions that are nigh on hopeless. The west cannot afford to let him fail and, given the scale of the resources that had to be invested in defence against the Soviet Union, can afford what he needs to succeed. A huge effort of technical and financial assistance is needed, not next year, but now.

Stability cannot be achieved in Eurasia if Russia remains in chaos. But other countries of the former Soviet Union and eastern Europe should not be forgotten. Europe must try to do for them what the US once did for it. The first thing to give to all, to Europe's own great benefit, is free access to its markets. Also important, however, will be technical and financial support.

Economically hopeful

Inevitably the focus will be on the larger countries, such as Ukraine, and the more economically hopeful, such as the Czech and Slovak Federal Republic, Hungary and Poland. The smaller countries can then be lifted by the buoyancy of their larger neighbours and those in the rear by the successes of those in the van.

Finally, there is the challenge of enlargement. But this should come after the Gatt and after the problems of eastern Europe and the former Soviet Union. None of these countries will be ready for membership in the next few years, but their problems are far more urgent than those of such prosperous democracies as Austria or Sweden. However desirable early expansion of the EC may be, it must not divert attention from the threats and opportunities on the EC's eastern borders.

Among those threats is that to security. The EC's failure to halt Yugoslavia's agonies offers a warning of what could follow in the erstwhile Soviet Union. The European Union has neither the military means, nor the will, to deal with such threats on its own. All the more important, therefore, that it develop the means and show the will to deal with the economic challenge before it boils over in civil war.

Co-operation with its partners; generosity towards its erstwhile foes. These must be the guiding lights of a European Union, which was not born great, is yet to achieve greatness, but has had the opportunity for greatness thrust upon it.

1992: future imperfect

To many people, this new year seems among the bleakest and most uncertain in recent memory. Worries about the political and economic outlook abound. Here, FT specialists weigh up their answers to 12 questions of pressing concern around the world this year

Nineteen ninety-two sees elections in the UK and US. Will there be a Labour government in Britain?

Joe Rogaly writes: Possibly. The answer would be "probably" if Labour had not done so badly in 1987. If Mr Neil Kinnock is to become prime minister with an overall majority at his command Labour needs to capture close to 100 parliamentary seats from the Tories, many of them in the south-east. This would require a huge swing from the government to the opposition, the likes of which has not previously been achieved.

Against that, the Tories will be bereft of their present overall majority if they lose just 50 seats. Most would go to Labour, but some would go to the Liberal Democrats. No single party would have a majority in the commons. Parliament would be hung. The consequences of that are unpredictable. If the Conservatives remained the largest party they might try to win the support of the Ulster unionists, but not all of them could be counted on. To do a deal with the Liberal Democrats on a promise of proportional representation would require an historic U-turn by Mr John Major. His party might not accept it.

Thus the Tories might try to hang on to No 10 Downing Street by their fingertips. They could easily fail. Labour would then have to be given a chance to cobble together a coalition. If Labour was the largest party it would form a government and try to win popularity in time for an early second election.

All of this presupposes that the economy will *not* show perceptible signs of recovery. If there *are* signs of recovery, the Conservatives' winter of discontent would be forgotten. Mr Major would win his mandate. All bets for Labour would be off.

And in the US, will George Bush be beaten?

Lionel Barber writes: No, but he will have a run for his money. President Bush won the 1988 election because he buried a weak liberal candidate with the slogan: "Experienced leadership for America's future". Mr Bush will repeat the message in 1992, but he will find it a much tougher sell. Americans are in a sullen mood, disillusioned with their political leaders and worried about the future.

The recent slump in Mr Bush's approval rating stems directly from the sharp drop in public confidence in an early recovery. Mr Bush, who promised to create 30m jobs as president, has seen total civilian employment actually fall during his first three years in office. Unless he can point to tangible signs of an upturn by late summer, Mr Bush remains vulnerable.

Whether he is beatable depends, to some extent, on which Democratic candidate emerges from the six-strong field. The absence of Governor Mario Cuomo of New York means that the Democrats do not have a national figure to field against Mr Bush: Governor Bill Clinton of Arkansas, the early Democratic front-runner, has never run in a presidential campaign; Senator Tom Harkin of Iowa is all gnashing teeth and clenched fists; Senator Bob Kerrey of Nebraska, the telegenic Vietnam war hero, sounds a lot like Mr Gary Hart in 1984 and may fizzle in similar fashion.

The poor performance of the US economy offers Democrats their first chance in 20 years to recapture the ethnic blue-collar vote. This will help the party in the north, but not necessarily in the south which remains solidly Republican. Other factors helping the Democrats are Mr Bush's restive conservative wing and the fact that the communist threat will no longer dominate debate.

But Mr Bush's patrician tendencies obscure his skills as a political street-fighter. It may be a close election, but at this stage a Democrat win still looks less than likely.

What about the economy? Are we in a great depression like that of the early 1930s?

Samuel Brittan writes: I am often asked this question by broadcasters. When I answer with a resounding "No", I am usually asked if I know of any other commentator willing to answer "Yes". The macho-pessimistic view is of course contradicted by the most cursory examination of the facts. Between the Wall Street crash of 1929 and the bottom of the depression in 1933, US output fell by 30 per cent, and money incomes fell by 50 per cent. The fall was nearly as large in Germany. In Britain there was no Great Depression as such but a 6 per cent fall in output after an incomplete recovery in the 1920s – the incompleteness is conventionally ascribed to Winston Churchill's return to gold at the wrong parity, a diagnosis which some economic historians are beginning to question.

This constant harping on the Great Depression is an enemy of serious thinking. So is the obsession with prediction at the expense of understanding and policy analysis. Hardly anyone has responded to my invitation to discuss whether a temporary setback to economic activity to allow consumers and businesses to repay what they feel to be excessive debt is healthy or dangerous; or at what point it changes from one to the other.

Both Keynes and Milton Friedman have a great deal to answer for in their preoccupation with aggregate levels of output and prices and with unattainable stabilisation goals. We are unlikely to learn more about business cycles without returning to the study of the relative behaviour of different sectors, industries, and even companies – a study which will have to be taken up from where it was abandoned in the early 1930s.

As for policy: the New Year is a time for restating one obvious truth. This is that governments and central banks would be in a much better position to use monetary policy, public works programmes, and the like, to combat recession if they were starting out from a record of reasonable price stability and budgets which were not too far from balance. Our present predicament springs in large part from the needless overthrow in non-emergency contexts of the "old-time religion" of sound money by a coalition of right-wing Reaganites and left-of-centre growth merchants.

Will the value of shares rise?

Barry Riley writes: Sentiment in the stock market was so bad for most of December that it was scarcely surprising that Christmas week brought something of a bounce back. This might continue for a while in January, usually a good month for share prices.

However, there are a lot of hazards ahead. Wall Street is vulnerable to shocks if the US economy continues to lag, and in Europe the Bundesbank is determined to beat German inflation, if necessary at the expense of reducing economic growth across Europe as a whole to a crawl.

In the UK the election is likely to generate a lot of volatility. The prospect of a Labour government would scare investors, although they would probably recover their nerve to a large extent after the event.

In general share prices are well-supported by dividend yields averaging over 5 per cent, but a lot of dividends are going to be cut in 1992 so individual share prices could go in all sorts of directions. Meanwhile profits are generally weak, and recent hopes of a recovery in company earnings have turned out to be premature.

All in all, you are likely to make some money on shares over 1992 taken as a whole, but you will need to pick stocks with care, because there are going to be further individual company shocks, and you may also need strong nerves at times. The ride might be a little safer and less volatile in government securities.

Will the exchange rate mechanism of the European Monetary System be realigned?

Martin Wolf writes: Yes.

1992 will see the European Community tide ebbing fast:

- Ratification of the Maastricht Treaty will provoke debates in countries as far removed in their attitudes to the EC as Germany and the UK.
- *Completion of the 1992 programme* will be painfully difficult; its economic effects will be disappointing.
- The debate between the economically liberal north and the interventionist south will reach new peaks of *intensity*.
- The attempt to construct a common foreign policy will founder on irreconcilable differences of interest among the EC's major countries.
- And the ERM will be realigned.

Realignment will be triggered by Italy and the UK acting, as over the Western European Union, in concert. The Bundesbank will lower interest rates, but too little, too late, to avoid another year of slow European growth, this time including Germany.

Complaints about German fiscal and monetary policies will become ever more outspoken, but they will have no influence upon the German reality. The desperate plight of, first and foremost, eastern Germany and then eastern Europe and the new Commonwealth of Independent States, will continue to exclude everything else from German politics.

For Germany's partners the decision by the Bank of Japan that it will have to lower rates of interest aggressively will be the final straw. Thereupon, Italy will realise that being chained to the Bundesbank's cross makes no sense for a country that will not be allowed into economic and monetary union anyway; and the UK will realise that the only escape from debt deflation will be a nice dose of inflation. By the end of the year the path to Emu will look even more difficult and the destination even more doubtful than it does today.

Will there be civil war in what used to be the Soviet Union?

John Lloyd writes: The best answer is: no, but there are already. This Russian answer means that there will be no civil war, but there are civil wars, there will probably be more and there will probably be civil disorders. The relative confidence with which civil war – usually thought of in a grand sense of ignorant armies clashing by night across vast territories – is dismissed is because the dispossessed lack the stomach for such a full-scale fight.

The dispossessed are of course the communists, and history has far too comprehensively passed them by to allow them to revive and to lead a revolution, or rather a reaction, in its name. Most of the active ones are making co-operatives, commodity exchanges and joint ventures as fast as their address books can carry them. The only flag they will now follow is green, and has Washington's head on it.

In the Caucasus, struggles over the control of territory are intensifying: so far, these have not been reproduced (except in Moldova), but 1992 will be a lucky year if they are not. There are border issues everywhere, around and within Russia, waiting for a stupid demagogue to make it a dispute. More worryingly, there are minorities everywhere, which had been used to moving about freely in a Soviet state, who now or will soon find themselves faced with citizenship laws, visa restrictions and rising nationalism, and are frightened and defensive.

There have been few food riots (reported) yet: but if they start happening in a large way then they will spread quickly. In the fragilely-governed countries of the Commonwealth of Independent States, the political choice will often be seen to be between a promise-everything populism and a stop-everything crackdown. Neither can be more than palliatives.

But the war of one side against the other – whites against reds, or blacks against whites – is unlikely this coming year. No one has the time, or can afford to lose that place in the queue.

And in Yugoslavia, will the Serbs and Croats shake hands and make up?

Judy Dempsey writes: No. If the Croats regain full control of their territory, this will not end the fighting. Although the Serb-dominated federal army might eventually leave Croatia, a new kind of war – guerrilla warfare – will develop, thanks to the depths of hatred between the two communities.

Spare a thought for what will happen in the other republics.

The ethnic Albanians in the Serbian-controlled province of Kosovo are likely to discard their passivity and rise up against Serbia. In the ethnnically-mixed central republic of Bosnia-Hercegovina, the Moslems will take up arms against any attempt by Serbia and the federal army to divide the republic, while Bosnia's Croats, who are concentrated mostly in western Hercegovina, will try and unite with Croatia. In Macedonia, the 56,000 Serbs, urged on by Mr Slobodan Milosevic, the president of Serbia, will resist moves by the republic to seek independence, while Macedonia's 400,000 ethnic Albanians will demand more ethnic rights, and possibly unite with their confrères in Kosovo.

Will Arabs and Israelis sign a peace treaty?

Roger Matthews writes: No. But world events in 1991 have made it much more likely that eventually they will be forced to do so. The writing is already on the wall. Peace talks will resume in Washington on January 7, despite the failure of the last round in December. The willingness to continue is tied to the disappearance of the Soviet Union, to the crushing of Iraq, and to consequent US military and political dominance in the Middle East.

Israel's Arab opponents have been stripped of their most important military supplier and international ally. The military superiority of Israel, backed by nuclear weapons, has never been greater. The last chance the Arab countries have of regaining land captured in 1967, and the Palestinians of embarking on the path to self-rule, is through diplomacy.

The present government of Israel prefers the status quo to any alternative suggested by the Arabs, or by the US and the EC. For so long as Mr Yitzhak Shamir is prime minister, it will use every delaying tactic it can devise, while emphasising its commitment to the peace process.

What seems obvious to others is rarely so clear in the Middle East. Patience is crucial. Long-entrenched prejudices, blind bigotry, religious extremism, economic deprivation and individual political ambition are powerful forces working against any appreciation of strategic change. Saddam Hussein lives.

Will Chinese communism survive?

Alexander Nicoll writes: Yes. Communism will not collapse. The world awaits the death of the Chinese party's octogenerian leadership, and especially that of Deng Xiaoping, its 87-year-old patriarch. But even if *qigong*, their exercise, breathing and meditation routine, fails to keep them going for another year, the party is most unlikely to prove a house of cards like those in the former Soviet bloc.

Rapid economic growth, fostered by market-oriented reforms of a distinctly non-communist nature, serves paradoxically to preserve the party's power. The party has not solved the fundamental problem of how to deal with dinosaur loss-making state industries. They provide massive employment as well as building blocks for the party's own structure. But the party is happy to see the tremendous growth of non-state enterprise – particularly in the area surrounding its future dominion, Hong Kong – always provided that its political dominance is not thrown into question.

In the longer term, the growth of ideas inevitably associated with the growth of the market economy seems bound to pose that question, and to create north-south tensions. But for the time being, the octogenarians and their successors seem set to hang on.

Will the Uruguay Round of trade negotiations succeed?

Martin Wolf writes: Yes. But agreement will make things little better. Even in the pivotal area, agriculture, the gulf between the positions of the two main players, the EC and the US, is too small for continued disagreement to be sustainable.

What is more, the final agreement will be ratified, even by the US Congress. That body of politically craven opportunists will huff and will puff, but it will not blow the Gatt house down.

What Congress will do, instead, is charge a high price. That price – more regionalism and, above all, more unilateralism – will help to ensure that the Uruguay Round makes only a limited difference. It will be seen, in retrospect, as a brilliant and largely successful holding operation rather than as a decisive move towards what the world most needs: a more liberal trading environment.

Will there be a major initiative to save the environment?

David Lascelles writes: The auguries for the first Earth Summit in Rio de Janeiro in June, are not encouraging. This huge UN-sponsored jamboree is intended to be the biggest green initiative ever. If it succeeds, it should establish policies to secure the world's environment well into the next century: an Earth Charter, and an Agenda 21.

But so far, only a handful of leaders from more than 100 countries have said they will go. The arrangements for this enormous affair are also straining Rio's resources to the limit.

But even if the summit risks producing more hot air than action, it should still focus the world's minds on the big environmental issues. High on the agenda will be protection of the atmosphere, safeguards for the world's biological diversity, transfer of technology to polluting countries, and stronger financial commitments to supporting these worthy goals.

What about me? Will the price of my house go up?

John Plender writes: An acceptable question in the roaring '80s, but wholly unsuitable in the non-permissive, debt-laden world of the '90s. The correct question today is whether the price of your house will go down; and the answer, with regional variations, is that it almost certainly will.

The thing that has not changed between the decades is the capacity of the housing market to deliver sharp swings in house prices in relation to earnings. What is new is the way that the market brings about the adjustment to equilibrium after a period of monetary excess. In the early 1980s inflation diminished the pain.

In the 1990s the government's commitment to disinflation and to maintaining sterling within the Exchange Rate Mechanism (ERM) means that this inflationary escape route is barred. A personal sector that has seen its debt-to-income ratio double over the past decade thanks to financial deregulation now faces the highest real rates of interest since the 1930s. The return to equilibrium is thus being achieved through a combination of increased earnings and falling nominal house prices.

Do not rule out an increase in mortgage rates. Even in an election year a sterling crisis would make this inescapable. And do not blame Norman Lamont – it was John Major who pinned his colours to disinflation and the ERM while at the Treasury.

David Currie says any British upturn will be anaemic and hesitant

Signs not encouraging

It has been a grim Christmas for business and the prospect is for a bleak new year.

This time last year, Mr Lamont's best hope was that the recession would be short and sharp, leaving time for the sense of recovery to be firmly established ahead of the election. As it is, weakness overseas in the US and Europe, coupled with lack of confidence at home, has led to a prolonged slowdown.

In a technical sense, recession is probably over, with the economy bumping along the bottom and a slow, hesitant rise in output in prospect. But it is only technical and may not help Mr Lamont and his government's electoral position: it will be some time before perceptions shift and confidence recovers.

The UK position is not helped by the absence of any good news about the world economy since the summer. In the US consumer and business confidence is fading away, and it remains to be seen whether the action of the Federal Reserve in cutting the discount rate to its lowest level for more than 25 years will head off a "double-dip" recession.

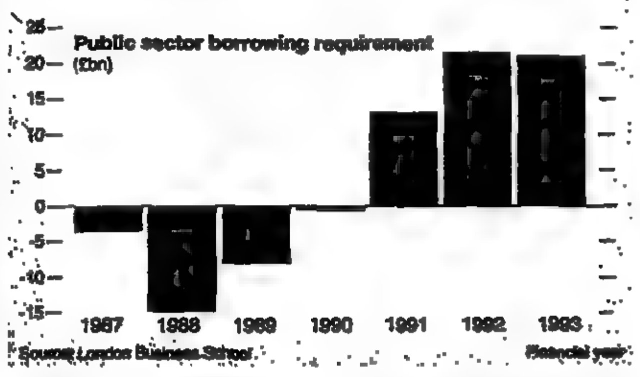
Germany, which acted as a locomotive for Europe through much of 1990-91, slowed markedly towards the end of last year as a result of tax increases and high interest rates. The Bundesbank's decision to raise interest rates further in the week before Christmas to head off inflationary pressures will add to the slowdown in Germany. In consequence, recovery in the other European economies is being held back by high real interest rates and slow export demand.

At home, the striking policy success has been the rapid fall in inflation from its peak of more than 10 per cent in the later part of 1990 to about 3½ per cent now. In large part this reflects the impact of recession, though it probably also owes something to Britain's membership of the exchange rate mechanism.

But there remains an important question-mark over the UK economy's ability to combine low inflation with growth. Nineteen ninety-one has demonstrated that a German inflation performance is possible in the UK. In 1992, we will learn whether the UK can sustain low inflation only at the cost of slow output growth and unemployment close to 3m. The signs are not encouraging: the prospect is for a hesitant and anaemic recovery this year and next.

UK economy

Growth rates	1991	1992
GDP (average measure)	-2	1¼
Consumer expenditure	-¾	1
Fixed investment	-11¼	-2
Export volume (goods & services)	1½	3
Import volume (goods & services)	-3¼	3¼
Percentage change		
Stockbuilding (as % of GDP)	-1½	¾
Retail prices (year to 4th quarter)	3½	3¼
Current account (£bn)	-6¼	-7¾
Unemployment (million)	2¼	2¾



Source: London Business School

The recovery of demand at home is restrained, as elsewhere, by high real interest rates and slow world growth, *but also by very high debt lev*els, both personal and corporate, and a weak housing market. Last year, pressures on the corporate sector and in the housing market led to an overall fall in investment of more than 11 per cent, while destocking exceeded 1¼ per cent of gross domestic product. At the same time, consumer spending fell by 0.8 per cent as the personal sector savings ratio rose to more than 10 per cent. This year, investment is likely to *fall a little further, by about 2* per cent, while destocking will continue, though at about half the level.

The reduction in destocking provides an important boost to domestic demand, adding about 0.8 per cent this year. Even with fairly sluggish external demand and a flat savings ratio, this gives positive growth this year of about 1¼ per cent, measured year on *year. This represents a 1 per*centage point slower recovery than the chancellor forecast in the Autumn Statement, and a *much more anaemic* recovery than he would like as the election looms. Output will take until 1993 to regain its previous peak of 1990: the UK economy will then have been in a no-growth trough for three years. Unemployment is set to rise towards 3m in 1993, before turning down.

With a sluggish economy ahead of the election, Mr Lamont will be examining all available policy options. Unfortunately these are strictly circumscribed. The Bundesbank's decision to raise interest rates has all but eliminated the scope for a cut in UK rates ahead of the election if sterling's position within the ERM is not to be jeopardised, and it is quite possible that we will have to match the rise in interest rates of other European countries. The size of the prospective Public Sector Borrowing Requirement, set to rise to more than £20bn, in excess of 3 per cent of GDP (see accompanying chart), means that there is little economic case for a giveaway Budget, which would in any case have no impact on the economy in time for the election.

The effects of an expansionary budget would come through just as the economy was recovering spontaneously, and might excessively stoke up domestic demand. Despite this, Mr Lamont and his advisers will be seeking to maximise the effects of their budget measures on immediate electoral prospects and on confidence, so the likelihood of a giveaway Budget must be high.

Beyond the election, the policy options widen. There will be the early opportunity to correct the impression left by Maastricht that the UK is lukewarm on Europe by renouncing the opt-out clause on monetary union. It may well prove more politically advantageous to do this early on in a new parliament, rather than leave it as a divisive mid-term issue, and a Labour government may choose to combine this with adoption of the Social Charter. With the uncertainty associated with the election out of the way, the time may be right to move to a narrow band in the exchange rate mechanism.

The newly elected government will also face a continuation of the problem that has plagued the Conservatives for the period of this parliament: the fact that the electoral and economic cycles are out of kilter.

There is the danger that the economy will boom in the first half of the next parliament, and then slow for the second *half, just as it has in this* parliament. One possibility is to bring the parliamentary cycle into line with the economic cycle, by having an election within two years (a possible necessity in the event of a slim majority or a hung parliament).

Alternatively, a newly elected government may prefer to take the hard measures early, and adopt restrictive fiscal measures, bringing down the widening budget deficit. In *that case, it will take longer for* output to regain its 1990 peak, and unemployment will peak at more than 3m before starting to fall again.

The author is director of the Centre for Economic Forecasting and research dean at London Business School

Renewed US contraction should not persist, says Laurence Kantor

Recovery at last in sight

The US recession that began in mid-1990 has never really ended. Although real gross domestic product grew at an average annual rate of 1½ per cent in the second and third quarters of 1991, this represented no more than a temporary rebound from the depressed levels at the time of the Gulf war. The end of the war triggered purchases, particularly of houses and cars, that had been postponed because of low confidence and soaring oil prices. But there was no follow-through from the initial rebound, and the economy has deteriorated steadily since the summer.

Most importantly, the end of the war failed to bring large and steady increases in employment. Modest hiring by factories and home-builders occurred for a time, but was soon swamped by continued lay-offs in sectors less affected by the end of the war. State and local governments made further payroll cuts in response to poor tax collections that created large budget gaps. Employment in defence-related industries continued to drop following last year's budget accord, which called for a 25 per cent reduction in real defence outlays by the mid-1990s. Lay-offs also continued in the finance, insurance and real estate sectors, partly reflecting fall-out from sustained declines in commercial property values and construction activity.

The postwar euphoria thus inevitably gave way to a sober *recognition on the part of* households of the continuing deterioration in employment prospects. Consumer confidence plummeted, back to the levels seen during the Gulf war crisis and even the 1981-82 recession. Accordingly, household spending on a variety of goods declined sharply in the fourth quarter of 1991, with the volume of car sales dipping to the lowest level since the early 1980s.

The combination of sharply weaker demand and rising inventories is now bringing the inevitable cuts in output. Industrial production began declining in November and will probably continue to fall into the second quarter of 1992.

It is too early to pinpoint the bottom of the business cycle with a high degree of confidence. But there are a number of factors that suggest that the renewed contraction is not likely to be particularly severe or protracted. Inventories are not overly excessive, and cyclical sectors such as cars and housing already have reached recession or near-recession levels of activity. In due course recent and prospective declines in interest rates and the dollar exchange rate, and even possibly some spur from fiscal policy, will boost demand. A reasonable forecast is that a recovery in the overall economy will start by the middle of this year.

Last month's easing in monetary policy, in which the discount rate was lowered by a full percentage point and the target Federal funds rate by half a percentage point in a single day, marked a recognition by the monetary authorities of the need for more aggressive action. These moves were followed by a reduction in the prime rate charged by banks to 6½ per cent, nearly two full percentage points below the level last August.

Economic activity will also be boosted in time by the lower dollar. The Fed easing, on the heels of a Bundesbank tightening, has brought the $/DM exchange rate about 15 per cent lower than the levels that prevailed last summer, and the $/yen exchange rate has come down nearly *10 per cent*. The lower dollar should allow US producers to continue to pick up share in world markets.

Finally, of course, Congress may well enact some quick-acting fiscal package after it reconvenes this month. Policy in this area, too, could make some contribution to pulling the US out of recession.

The current downturn is unusual in that, if it does last until the middle of 1992, it will become the longest contraction since the 1930s. *But it will also* likely prove to be a mild one in terms of the peak-to-trough decline in real output.

This long but gradual downturn reflects the effects of two sets of forces, both of which will tend to ensure that inflation remains well controlled even after the recovery begins.

First, the economy is still recovering from a "hangover" of sorts from excesses that were accumulated during the 1980s. In particular, the economy is still being restrained by the long-term drags of debt retrenchment, service-sector cost-cutting, defence spending cuts, and the after-effects of construction overbuilding. These forces will continue to act as a drag on growth for some time to come.

Equally important, current economic weakness reflects the persistently restrictive bias of economic policy. Federal fiscal policy *has been tight since* 1986, reflecting efforts to reduce the huge federal budget deficit. And monetary policy *has not yet been as accommo*dative as in past recessions, as measured by real interest rates or by money growth.

The overall *disinflationary* thrust of policy over the past half-decade has pushed down nominal GDP growth to its slowest pace in 30 years. The slowdown in total spending has had its main impact on real growth rather than on inflation over the *last three* years. That mix will change as weak real output growth gradually erodes inflation.

The extra capacity in markets for labour and capital created by the weak economic performance of the past three years virtually guarantees that inflation will move significantly lower in the early 1990s. The unemployment rate is likely to hover above 7½ per cent through most of 1992, well above the 5-6 per cent rate considered full employment. In the mid-1980s this level of joblessness pushed growth in labour compensation costs down to 3-3½ per cent annually.

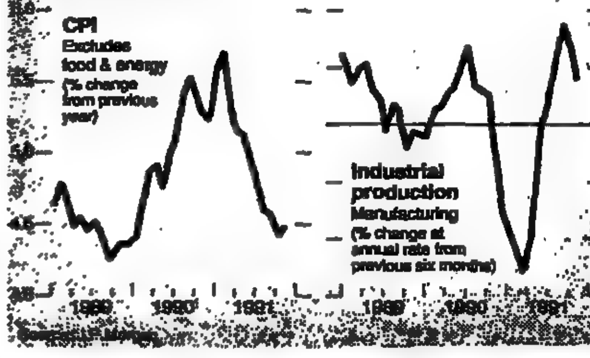
From a peak of 5¼ per cent briefly attained in early 1991, "core" consumer price inflation *(excluding food and energy)* has already dropped to 4½ per cent year-on-year. Over the past six months the annualised increase has been only 3½ per cent, despite a temporary boost from higher excise and sales taxes. Over the coming months, further improvement in inflation should be visible, to 2½-3 per cent by the end of 1992. This low rate may overstate the extent of decline in price pressures, inasmuch as it would reflect conditions at the recession trough. Even so, a longer-term trend of roughly 3 per cent seems likely.

The author is vice-president at J P Morgan, New York, responsible for the bank's US economic forecasts. He was an economist at the Federal Reserve Board from 1984-87

US economy

Seasonally adjusted annual rates, except as noted

	1991 Q4	1992 Q1	Q2	Q3	Q4	1991-92 Year on year	Q4 on Q4
Real GDP	0.0	2.0	[illegible]	2.9	3.5	[illegible]	0.6
Final sales	-1.2	-0.6	[illegible]	[illegible]	2.9	[illegible]	[illegible]
Contributions to GDP growth (%)							
Domestic final sales	-2.2	-1.5	-0.4	1.4	2.8	-0.4	0.5
Inventories	-1.2	-1.4	-1.1	0.4	1.4	-0.1	-0.2
Net exports	1.0	0.6	0.8	0.2	-0.2	0.8	0.3
Inflation:							
Consumer price index	3.1	2.8	2.6	2.7	3.2	2.8	2.6
Excludes food & energy	3.5	3.5	3.3	3.0	2.8	3.4	3.1
Other:							
Federal funds rate (%)	4.75	3.80	3.60	3.50	3.50		
Civilian unemployment rate	6.9	7.5	7.6	7.7	7.6		



Source: J P Morgan

LETTERS

Electricity generators are manipulating the market

From Andrew Cook.

Sir, Your readers may have had difficulty understanding Mr John Baker's letter justifying peaks in the pool electricity prices (Letters, December 2). I suggest this is because he is trying to defend the indefensible.

The facts are these. There is 58,000 MW of generating capacity in the UK. Normally in the order of 54,000 MW is available for use.

As the peak afternoon period approaches, the generators are inexplicably withdrawing capacity, *reducing available* capacity to nearer 52,000 MW. Obviously, as in any market, if you reduce supplies when demand *is rising*, the price shoots up.

This is precisely what the generators are doing – reducing available capacity at a time when demand goes up.

There is firm evidence to support these allegations. On Tuesday December 3 the late afternoon pool price reached 19.15p per unit, the highest ever recorded. The regional electricity companies confirm that there were no unseasonably high demands and temperatures were generally above the seasonal norm.

However, available capacity was reduced to 1,200 MW below the November *maximum* when it should have been increased in line with the normal onset of winter. More importantly, *however, maximum available* capacity was 52,733 MW compared with 57,060 MW for the equivalent day in 1990 (Tuesday December 4). It is quite clear from these figures that the generators are manipulating the market in a way that cannot have been anticipated when the pricing formulae that accompanied privatisation were drawn up. This is manifestly against the consumers' interests and cannot be condoned.

It is also quite unrealistic to introduce such spurious arguments as a need to attract new generators into the industry. In effect, this amounts to depreciating generating plant on a replacement cost basis. There are few manufacturers who do *not wish they were able to* adopt this practice and pass on the cost to their customers. In the real world, the market simply does not allow such accounting techniques to be passed on in the selling prices. These real-world market-place rules should apply equally to the electricity generators.

Andrew Cook,
chairman, William Cook Plc,
Parkway Avenue,
Sheffield S9 4WA.

Japan rewards persistence

From Mr Barry Chester.

Sir, I read with interest the article by Christopher Lorenz ("Japan should give the locals a chance", November 15) and Mr Mike Parr's letter (November 22). As a British expatriate manager working in a large Japanese company, I agree with many of Mr Lorenz's comments and sympathise with much *of Mr Parr's experience.*

However, neither of these views provides a complete picture. In my role as manager, *planning and industrial rela*tions team, I have struggled, with my Japanese colleagues, to foster greater understanding between worldwide cultures and the Japanese corporate culture. Our successes have not so far been spectacular, but the learning process most certainly has been.

Any solution lies somewhere between the Lorenz/Parr extremes. It is a myth that Japanese people live only to work. It is a fact that Japanese people have the same hopes, fears, and aspirations as the average "westerner", and quite openly speak out in their frustration at corporate policies.

It is more than possible to build trust and confidence, and varying degrees of power, albeit usually manifested in influence rather than authority, through normal and honest labour. I was recruited in the UK in 1986 and during the next five years worked hard, but no harder than I did in the British company where I was previously employed. My office time averaged between 9 and 10 hours each day, and after-hours "networking" in bars was necessary only once a week on average. I saw my family far more frequently than my Japanese colleagues; and I did not need to learn Japanese until last year.

Finally, success within Japanese Kaisha depends very much on expatriates' willingness to "pioneer" from within to encourage change; determination to succeed; sensitivity towards others; communication skills; and an ability to balance persistence with patience.

Given these, I am certain the next decade will see greater penetration of locals into the Japanese corporate hierarchy.

Barry Chester,
Mitsubishi Corporation,
6-3 Marunouchi 2-Chome,
Chiyoda-Ku, Tokyo 100-86.

Scrooge strikes

From Mr John Noble.

Sir, around Easter this year I received an unexpected and welcome piece of news. It came from the liquidator of Baku Consolidated Oilfields Ltd. It transpired my grandfather had been a shareholder in this company, which had lost all its assets in the 1917 Russian revolution. Now that the Soviet Union had made amends and paid compensation, we could anticipate around Christmas a distribution to original contributories or their heirs.

On Christmas Eve I received a further letter from the liquidator, informing me that the Inland Revenue proposed to skim off 35 per cent of our money by way of "corporation tax". After 74 years of zero return, our payment is to be further delayed and substantially reduced.

I wonder on what proper grounds of equity and tax law this mean-minded side-swipe could be based? Is this policy being adopted by the government in all similar compensation cases?

John Noble,
Ardkinglas Estate,
Cairndow,
Argyll PA26 8BH

Time to face pensions reality

From Mr Hugh Arthur.

Sir, Mr Busk's argument (Letters, December 18) that the "future service equality" (FSE) amendment to Article 119 of the Treaty of Rome may be invalid is, on his own admission, based on the assumption that the judgment in *Barber v GRE* "does have some degree of retrospective effect".

In *Barber*, the European Court of Justice (ECJ) was asked to interpret the meaning of Article 119 and went out of its way to state that the judgment was not intended to have retrospective effect. Claims have subsequently been made that in the context of pension rights "no retrospection" does not mean quite what it says. Any doubts should have been resolved in one or more test cases in the pipeline.

As the ECJ has not yet *conclusively determined that Barber* does have retrospective effect, Mr Busk's assumption begs the very question which is now answered by the FSE amendment to Article 119. True, the ECJ may be called upon to deliberate on the status of the amendment during the brief interregnum before its formal ratification by all member states. But there is no reason why it should not take a pragmatic view and have regard to the amendment when making its determination.

The *Barber* industry has kept pension lawyers busy for 18 months. Subject only to the ECJ's formal acceptance, of the realities, surely the Maastricht settlement provides the opportunity to call it a day, rather than seek excuses to keep the *Barber* bandwagon rolling.

Hugh Arthur,
Biddle & Co,
1 Gresham Street, EC2

Seven into one just won't go

From Mrs Penelope Pride.

Sir, Professor John Saunders (Letters, December 21/22) presents an argument for Sunday trading, which makes me – one of the few remaining small retailers – seriously consider opening on Sunday.

Perhaps Prof Saunders could also advise on how a trader such as myself, with one part-time member of staff, can manage to provide a seven-day service – not to mention make a living out of my business?

The very fact that businesses such as mine still survive through this severe recession surely shows that our high streets need the speciality service and goods we provide. It is said that England is a nation of shopkeepers, but the big boys have advantages which this government should ensure are not exploited at our expense.

Penelope Pride,
18 Monson Road,
Tunbridge Wells,
Kent TN1 1ND

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday January 2 1992

Envoy Vance confident of securing truce agreement before EC recognition deadline

Yugoslav rivals agree UN peace plan

By Our Foreign Staff

THE WARRING republics of Serbia and Croatia have agreed to an ambitious plan for a 10,000-strong United Nations peacekeeping force to be sent to Yugoslavia, Mr Cyrus Vance, the UN envoy to the country, announced yesterday.

"I have seen steps taken that have not been taken before – the acceptance of our proposed plan in its entirety by both sides," Mr Vance said after meeting President Franjo Tudjman of Croatia.

Mr Vance was in an optimistic mood which contrasted with gloomy remarks he made about peace prospects when he arrived in Yugoslavia on Tuesday. "The situation is radically changed since I came…We have a way to go but we, I think, have made some real progress."

His mission is under pressure to achieve a ceasefire and agree on a timetable for deploying peacekeeping troops before January 15. On that day, the European Community is due to decide whether to recognise those republics seeking independence – Croatia, Slovenia, Bosnia-Hercegovina and Macedonia – subject to certain criteria on human rights and ethnic minorities being met. If the EC goes ahead, it will change the face of the negotiations.

Mr Vance said he could not give an exact date for the deployment of UN forces, explaining he would first have to report to new UN secretary-general Boutros Boutros Ghali and the UN Security Council.

He said he was trying to arrange a meeting today between Croatian and federal defence officials to discuss details of a truce.

In spite of his optimism, Mr Vance has made it clear that the UN will not deploy a "Blue Helmets" peacekeeping force unless an effective ceasefire has taken hold in the fragmenting Balkan state.

Fighting in Croatia, which has scuttled 14 ceasefire agreements so far, continued across the breakaway republic yesterday. Zagreb radio reported the first war victims of the new year, saying three people had been killed in fierce clashes between Croatian forces and the federal army around the coastal town of Zadar. Violent clashes around other villages and towns were also reported.

However, large numbers of Serbian reservists have been forced to retreat following a string of military successes by the Croatian National Guard in western Slavonia, central Croatia. In the past these reservists were backed by the federal army, but in recent weeks the army has apparently decided to consolidate its gains in eastern Croatia rather than fighting on three fronts.

The UN plan envisages setting up United Nations Protected Areas (UNPAs) in three parts of Croatia which have been flashpoints because of their large Serbian populations - parts of eastern Slavonia, Western Slavonia and Krajina.

THE LEX COLUMN

Marking time in the markets

Despite the ebullient end to the old year in the equity markets, UK investors pondering the outlook for 1992 might draw a dispiriting parallel with this time last year. Then the immediate topic was the Gulf war. Now it is the election. Then it was assumed that, hostilities apart, the economy would be in conventional recovery by the mid-year. Now there is no such assumption. It might perhaps be argued that the resolution of the election, like that of the war, would free the market of uncertainty. But the outlook for the world economy remains so fundamentally unclear that the intentions of UK voters – however anxiously debated by the market – seem almost trivial by comparison.

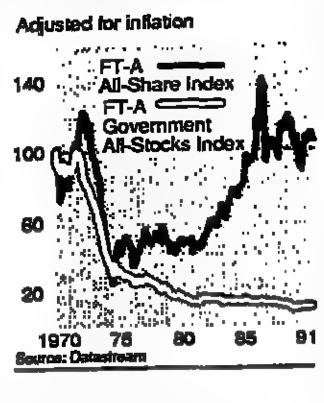
The problems faced by the UK economy are nothing if not familiar. The risk about ERM entry always was that the harsh medicine through which the ERM achieves its ends might coincide with the downturn in the cycle. Not only has that risk materialised; there has also been continued inflationary pressure in Germany, so that the UK is saddled with a regime of German monetary stringency at just the time when laxity is badly needed. For those of an apocalyptic turn of mind, the 1990s offer the prospect of successive UK governments making a desert and calling it price stability.

Until recently, the US offered grounds for greater optimism. Since there had been no structural changes to the US economy, there seemed no reason why it should not recover in the normal cyclical fashion. But perhaps the US, like other economies around the world, has suffered a structural change of sorts: the de-regulation of the banking system in the early 1980s, which led to an explosion of competitive lending. In a normal cycle, the purging of excess debt taken on in the boom times would be a sharp but finite process. The question is whether in the late 1980s the level of debt, for individuals and corporations, reached the point where the normal psychology of recovery is now being suppressed.

Backing bonds

This is the context in which investors have to address a pressing strategic problem: the attractions of bonds versus equities. In the 1990s, the UK and a number of other economies may be facing a change in the terms of the trade-off between inflation and growth. If inflation is to be conquered – which is scarcely guaranteed – so much the better for bonds. If the price is a lower growth rate, so much the worse for equities.

UK equities & gilts



Source: Datastream

The trouble is that, historically, equities have outperformed bonds by a wide margin in all but the most extreme conditions. According to the BZW Equity-Gilt Study, the total real return on gilts in the depression decade starting in January 1929 averaged 6.7 per cent a year against 5.2 per cent on UK equities. But very few investors, however bearish, expect output to be hammered in the 1990s as it was in the 1930s. A better parallel with life in the ERM might be the decade up to the UK devaluation of 1967, under the Bretton Woods system. In that period, UK growth and inflation both averaged around 3 per cent. The average real return on gilts was 0.9 per cent, on equities 11.6 per cent.

The persistent tendency of fixed interest securities to perform worse than equities is a puzzle. The BZW series goes back to 1919 for the UK and 1926 for the US. In that time, the total annual return on equities has been 8-9 percentage points higher than that on Treasury bills in both markets. To say that investors have blindly overpaid for bonds throughout is to argue for market inefficiency on a heroic scale. But neither is it quite satisfactory to explain the difference in terms of risk. In the UK market, the dominant holders of equities are institutions who diversify the risk of any given share across their portfolio. If Asda does badly, so much the better for their holdings in Tesco and Sainsbury.

Dividend doubts

Whatever the explanation, the historically minded investor might well conclude that just because bonds may be more attractive relative to equities than they were, that need not mean that they are attractive enough to buy. But perhaps equities are not particularly attractive either. The other central issue troubling the investment community at present is the outlook for dividends. By the end of the 1980s, it was clear that the proportion of UK output accounted for by corporate profits had for some years been unsustainably high. Over the past year, the question has been whether the proportion of profits paid out to shareholders has not been unsustainably high as well.

It is sometimes argued that this problem is overstated, since a high proportion of the UK market is accounted for by large, non-cyclical stocks such as the privatised utilities and the pharmaceutical companies. But when boards come to set their dividends, context is all. Many of the utilities are under severe political pressure to exercise dividend restraint. The pharmaceutical companies are seeing their nominal growth rates fall steeply with inflation and through pressure on drug pricing. Neither group is likely to cut the dividends. But if cuts become fashionable elsewhere, they have plenty of incentive to be stingy.

Chasing cash

By a process of elimination, it may turn out that 1992 is a good year for the UK investor to be in cash. At any rate that looks a prudent strategy for the opening months of the year. The UK will be in the fallow period before an election. In the US, it is not yet clear that there will be a speedy reversal of the "deep-seated concern" among the population which the chairman of the Federal Reserve last month claimed not to have seen in his 65-year lifetime.

The obvious risk is that the markets will scent recovery again and race off on their traditional January rally. But having done so a year ago, they may be the less ready to fall for the same one again. In a parochial UK context, investors might do well to consider how often they have told themselves that the construction sector or the more bombed-out retailers could not fall any further. The whole argument for a sharp rise in equities a year ago was not merely that the economic recovery on both sides of the Atlantic was imminent, but that it would be conventional in form. It now seems unlikely to be either.

Peace accord ends UN secretary-general's term on triumphant note

Date agreed for Salvador ceasefire

THE El Salvador government and leftwing rebels who have fought a 12-year civil war agreed yesterday to a peace plan which begins with a ceasefire on February 1, Reuter reports from the United Nations, New York. A complete peace treaty has still to be finalised.

President Alfredo Cristiani said: "This agreement initiates a new period for Salvadoreans." He said his nation, which had suffered 75,000 deaths through the war, could begin spiritual and material reconstruction.

Mr Bernard Aronson, US assistant secretary of state, said: "Both sides know that the war is over." Mr Aronson, who led a delegation of US officials at the margins of the peace talks, added: "For the Salvadorean people, it is the best new year's present they could have."

For Mr Javier Pérez de Cuéllar, who spent the last day of his 10 years as UN secretary-general on December 31 pursuing the peace accord, the agreement was particularly gratifying. "I am a free man, I feel as light as a feather," the 71-year-old Peruvian said.

The accord draws on a 75-page document which will form the basis of a formal peace settlement in the tiny Central American country of 5m people.

Negotiations resume on January 5, either in New York or Mexico. A communiqué said that if no final agreement was reached the new UN secretary-general, Mr Boutros Boutros Ghali of Egypt, would take decisions for the two groups before January 16, when the talks are scheduled to be concluded formally.

President Cristiani said remaining issues were "technical", involving a timetable for implementing the accord, dissolving the rebels' military structure and integrating them into civil life.

The Salvadorean president, credited with flexibility in the talks despite criticism from right-wing supporters, said he knew it was not easy for the rebels to agree to the accord. But he said "the step they have taken will benefit the whole country".

Mr Schafik Handal, one of five rebel commanders, said all accords should begin to be implemented during the official ceasefire period that ends on October 31.

Salvadorian FMLN rebels celebrate new year and a ceasefire agreement with the government yesterday in San Jose Las Flores, Chalatenango Province

If all goes according to schedule, he said, the rebel forces would be demobilised by then.

Not all details of the peace settlement were disclosed but both sides involved in the past 20 months of negotiations had already agreed on a reform of the country's judiciary, human rights safeguards, electoral reform, a reduction of the 55,000-member armed forces and an overhaul of security services. The government was said to have presented plans on how to reduce the army over a two year period to half its size and abolish some paramilitary counter-insurgency battalions.

The rebels also wanted the government to allow peasant squatters in areas they control to continue living there.

The government instead offered to settle the peasants but not necessarily on private property they now occupied. The agreements apparently call for a special commission to hear individual cases.

The existing army-controlled security forces, numbering about 17,000, will be phased out and a new civilian police force is to be created.

If the peace accord is implemented, the US has volunteered to be a guarantor of the settlement. It has also offered to initiate a generous reconstruction programme that includes aid from Europe, Canada and Japan.

Washington has supported several Salvadorean governments with more than $4bn in aid since 1979.

The Footsie conspiracy theory is confounded

By Philip Coggan in London

CONSPIRACY theorists were alerted when the FT-SE 100 index recorded its biggest one-day rise of the year on New Year's Eve.

Add in the involvement of the usual suspect in financial conspiracies – the futures market – and the evidence for some form of manipulation appears compelling.

On the surface, there would seem little to cheer the UK markets. Expectations for economic growth in 1992 have been dwindling and the recent rise in German interest rates means that the next move in UK rates is more likely to be up than down. Surveys have shown that both business and consumer confidence have been adversely affected in recent months.

So why did the markets move so sharply, and who might have stood to gain? There are certainly advantages for fund managers in an such a rise. Fees are often based on a percentage of the funds under management at the end of the year; so the New Year's Eve rise will mean slightly higher fees for many managers.

It was also good news for those managers who slanted their portfolios towards equities in 1991. According to Mr Mark Brown, equity strategist at Phillips & Drew, Tuesday's 3 per cent market rise ensured that the returns on UK equities over the year (at 21-22 per cent) just tipped the 20 per cent returns on bonds.

However, it was hard to see evidence of market manipulation by fund managers on Tuesday. Trading volume of 306.7m shares was healthy for a half day's trading but not exceptional.

The futures market did play a role. The expiry of the December futures contract means that investors who had sold FT-SE 100 Index futures – in effect, gambling that the market would fall – needed to buy shares to square their positions.

It is always hard to pinpoint the effect of the futures market on the cash market but there was a surge in business before the expiry of the contract between 10.10am and 10.20am on Tuesday.

The chief evidence against the conspiracy theory is Monday night's rise on Wall Street.

It may seem odd that London still responds so sensitively to the US market's moods, given the UK economy's gradual integration into Europe. Many of the UK's leading stocks are also traded on Wall Street, however, and Mr Brown says about half of quoted companies' overseas earnings come from the US.

Mr Paul Manduca of fund management group Touche Remnant says: "The US economy is still seen as the major motor of the world and markets have been encouraged by lower US interest rates and Bush's promise to provide a further stimulus to the economy." European markets also rose in response to the Wall Street rise, making it more difficult to point the finger at London market manipulation.

History might also suggest that the UK markets were anticipating the so-called "January effect". The FT-A All-Share Index has risen in 22 of the last 27 Januaries with an average rise of 4.9 per cent, three times the average for all other months.

Recession deeper than expected

Continued from Page 1

pendent forecasting groups, predicting gross domestic product would grow by 2¼ per cent in 1992 after a fall of 2 per cent last year (1991).

Mr Major used the interview to distance himself further on the broader political stage from the ideology of his predecessor, Mrs Margaret Thatcher.

Asked if he believed greed and materialism had gone to far in the 1980s boom years, he replied: "I think that is probably true, often perhaps for understandable reasons."

He said he did not object to people getting very rich, "if they do so by their own efforts".

He saw no scope for private medical insurance replacing the National Health Service. "This is one of the few countries in the world where you can be guaranteed good and prompt health treatment if you are seriously ill. Nothing I would do now or in the future would damage that," he pledged.

Fresh fighting mars Tbilisi's New Year's Day celebrations

By Neil Buckley in Tbilisi

FIGHTING erupted again in Tbilisi yesterday after a lull the night before. As Georgians tried to celebrate New Year's Day the capital echoed with the sound of sporadic gunfire and explosions.

The clashes coincided with a warning from Mr Tenghiz Kitovani, commander of the rebel national guard in the city, that the storming of the parliament building by opposition troops was inevitable.

"We will all celebrate the old new year [this was marked on January 13 before the 1917 revolution] at home," he said.

"Many people will die if there is an attack on the parliament, but we cannot afford to wait a long time for Gamsakhurdia [the Georgian president] to surrender."

A prolonged siege would mean more deaths, Mr Kitovani added. He claimed 100 people had died, with 400 wounded, in the conflict so far. However, the Health Ministry says at least 53 people have been killed and 300 wounded.

An extended siege could also give time for provincial prefects, appointed by Mr Zviad Gamsakhurdia, to organise support and reinforcements for the president, the commander said.

Mr Gamsakhurdia, accused by his opponents of setting up a dictatorship, has been trapped in the basement of the government building in central Tbilisi for 11 days. With him, the opposition claims, are up to 1,500 people, although other reports suggest a figure of only 500.

Among those in the parliament are women and children as young as 12 who had been demonstrating in front of the building when violence began. The opposition accuses Mr Gamsakhurdia of using them as hostages.

The roof of the parliament building has been badly damaged by opposition shelling. Nearby buildings – including the former state art gallery, the hotel Tbilisi, initially the opposition's headquarters, and Interior Ministry buildings – were burnt-out shells.

Many, however, doubt the ability of the opposition to mount a full-scale assault; it appeared yesterday to lack purpose and organisation. Earlier it surrounded the government building at one end of Rustaveli Avenue, Tbilisi's main street, but was driven back, leaving behind a howitzer.

The opposition was forced to use another Soviet-made 122mm howitzer to destroy the gun and prevent it falling into enemy hands.

The avenue has become a battlefield, blocked at intervals by barricades of buses and lorries, together with opposition armoured personnel carriers and Soviet T55 tanks.

Residents of surrounding streets, fearing a bomb attack on the parliament, streamed out on foot yesterday, many bowed under huge bundles of containing their possessions.

Picture, Page 2

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	14	57
Algiers	S	15	[illegible]
Amsterdam	C	8	46
Athens	F	6	43
Bahrain	C	[illegible]	66
Bangkok	F	32	90
Barcelona	S	9	48
Beirut	F	11	52
Belfast	R	8	46
Belgrade	S	0	32
Berlin	C	2	36
Biarritz	S	9	48
Bombay	S	25	77
Bordeaux	F	5	41
Boulogne	C	9	48
Brussels	C	4	39
Budapest	S	0	32
Buenos Aires	R	[illegible]	75
Cairo	R	15	59
Cape Town	S	23	73
Caracas	C	26	79
Casablanca	F	13	55
Chicago	C	0	32
Cologne	C	3	37
Copenhagen	R	6	43
Corfu	S	9	48
Dallas	C	9	48
Dublin	F	11	52
Dubrovnik		–	–
Edinburgh	R	8	46
Faro	S	15	59
Florence	Fg	-1	[illegible]
Frankfurt	C	1	34
Geneva	C	-1	30
Gibraltar	C	16	[illegible]
Glasgow	R	8	46
Helsinki	C	3	37
Hong Kong	Dr	16	61
Innsbruck	S	-3	27
Inverness	C	6	43
Islamabad	F	[illegible]	[illegible]
Istanbul	F	4	39
Jakarta	R	31	88
Jersey	S	8	46
Johannesburg	F	25	77
Lima	C	24	75
Lisbon	S	7	45
London	F	10	50
Los Angeles	S	12	54
Luxembourg	Fg	-1	30
Madeira	C	17	63
Madrid	S	6	43
Majorca	S	14	57
Malaga	C	15	59
Malta	F	[illegible]	65
Manchester	F	11	52
Manila	F	30	86
Melbourne	C	20	68
Mexico City	C	18	64
Miami	C	18	64
Milan	Fg	-1	[illegible]
Montreal	S	-15	5
Moscow	S	-11	[illegible]
Munich	S	2	36
Nairobi	F	24	75
Naples	S	11	52
Nassau	C	26	79
New Delhi	S	15	59
New York	S	-1	30
Nice	S	12	54
Nicosia	F	9	48
Oporto	S	11	52
Oslo	S	5	41
Paris	Dr	1	34
Peking	S	3	37
Prague	S	0	32
Reykjavik	F	-3	27
Rhodes	S	7	45
Rio de Janeiro	F	37	99
Rome	S	11	52
Salzburg	S	0	32
San Francisco	S	7	45
Seoul	F	5	41
Singapore	F	28	82
Stockholm	C	4	39
Strasbourg	C	0	32
Sydney	C	24	75
Taipei	R	19	66
Tangier	S	15	59
Tel Aviv	R	8	46
Tenerife	F	19	66
Tokyo	S	11	52
Toronto	C	-3	27
Tunis	F	15	59
Valencia	F	8	46
Venice	S	5	41
Vienna	S	1	34
Warsaw	C	-1	30
Washington	C	1	34
Zurich	S	-1	30

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

New US bank to take $625m charge

The new banking group created by the merger of Chemical Banking and Manufacturers Hanover announced on Tuesday that it will have to take a fourth quarter charge of $625m to cover the expenses related to the link-up. The merger of the new group, Chemical Banking Corporation, was formally completed this week. The new bank has assets of about $140bn and shareholders' equity of more than $7bn, making it the second largest bank in the US behind Citicorp. Page 15

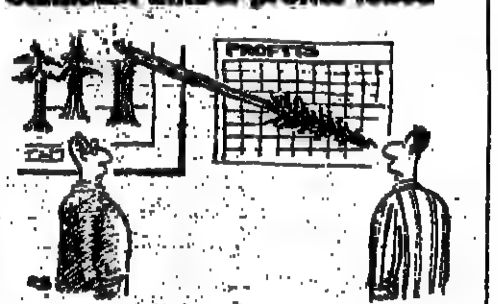
Double blow to Parretti

The year ended badly for Mr Giancarlo Parretti (left). The 50-year-old Italian financier was arrested in Italy on December 27, supposedly on charges of tax evasion. Three days later, a US judge awarded continuing control of MGM-Pathe Communications, the Hollywood film company which Mr Parretti acquired in 1990, to his bankers Credit Lyonnais Bank Nederland (CLBN). The judgment was the culmination of a protracted legal wrangle between the Italian businessman and the French-owned bank over control of the famous studio. Nikki Tait looks at the latest twist in a Hollywood epic. Page 15

Czech expansion for Siemens

Siemens, the German electrical and electronics group, has increased its investment in Czechoslovakia by agreeing to acquire 51 per cent of the transport division of Skoda, Pilsen, the country's largest engineering company, in a deal valued at $105m. The division currently supplies the former Soviet Union with electric locomotives. The joint venture also plans to manufacture suburban trains and subway cars. Page 15

Canadian timber profits felled

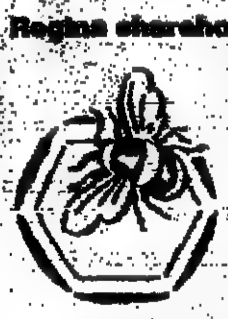


Canada's paper, pulp and timber producers, which were hoping for gradual recovery in late 1991, are instead now girding themselves for the heaviest losses of the year in the fourth quarter. Among the companies taking the most drastic action is Fletcher Challenge Canada. It is cutting its product range, moving to more value-added businesses, selling assets, seeking foreign partners and putting the squeeze on costs. Page 15

Morgan Grenfell named top merchant bank adviser

Morgan Grenfell finished 1991 as the UK's top merchant bank adviser, according to the FT Mergers & Acquisitions International magazine. Morgan Grenfell clinched the top spot in spite of not being involved in the year's biggest new deals. Baring Brothers, last year's number one UK adviser, dropped to sixth place. Page 15

Regina shareholders show faith



Shareholders in Regina Health and Beauty Products passed all the resolutions at the first annual meeting with the group's new directors. Regina's shares have fallen from a high of 48.98p in August 1988, to 1.5p on Tuesday, since Mr Shiraz Malik-Noor took over as chairman and chief executive last March, all the group's borrowings have been repaid with the exception of a small loan in Ireland. Page 14

Market Statistics

Companies in this Issue

Chief price changes

NEW YORK ($)

Rises				Alcatel Alsthm	571	+	16
Sallie Mae	70⅝	+	3⅛	Dollfus Mieg	225	+	18.7
Falls				Euro Disney	150	+	7.7
Chemical Bk	31¾	−	1½	Havas	443.8	+	11.8
Coca Cola	80¼	−	1	[illegible]	200	+	11.5
IBM	89	−	1⅜	UAP	488.4	+	15.3
Manuf Hanover	24⅝	−	1⅝	Falls			
Philip Morris	79	−	1⅞	[illegible]	440	−	20
PARIS (FFr)							
Rises							
AGF	469	+	25				

Frankfurt & Tokyo closed.

LONDON (Pence)

Rises				RTZ	472	+	17
Allied Lyons	[illegible]	+	24	Rothmans B	1199	+	42
Euro Disney	1305	+	40	SmithKl. Beech	[illegible]	+	43
Fisons	325	+	15	Wellcome	1101	+	35
Glaxo	[illegible]	+	40	Falls			
Grand Met	[illegible]	+	28	BCC	303	−	9
ICI	1238	+	78	Baltic	95	−	7
Lasmo	[illegible]	+	35	Ratners	27	−	3
Micro Focus	1348	+	38				

Figures are for December 31

Failed French TV station seeks rescue

By Alice Rawsthorn in Paris

AN ADMINISTRATOR is expected to be appointed within the next few days to take charge of La Cinq, the French television station which earlier this week filed for bankruptcy, and to try to hammer out a rescue package for the channel.

La Cinq, which has for some months been struggling against mounting losses, filed for court protection against its creditors on Tuesday thereby becoming the first significant casualty of the French government's television deregulation drive. The administrator will analyse the state of affairs at the station and try to devise a way of enabling it to stay on air.

The collapse of La Cinq, which was launched in 1986, marks a serious setback for Hachette, the heavily-indebted French media group that has been running the channel for the past 18 months. Hachette is, together with Mr Silvio Berlusconi, the controversial Italian media mogul, the biggest shareholder in La Cinq with each owning 25 per cent of the equity.

Hachette first invested in La Cinq in May 1990 as part of the strategy devised by Mr Jean-Luc Lagardère, its president, to turn the group into a major player in television. The decision to file for bankruptcy followed Hachette's failure to implement a drastic cost cutting package – which would have shed 292 of the station's 537 permanent staff and 292 out of 372 temporary employees leaving it to broadcast with a team of just 27 journalists.

Hachette, which has extensive interests in French book and newspaper publishing as well as owning the rights to Elle magazine, incurred hefty borrowings after a series of US acquisitions. Last week it told the Conseil Supérieur de l'Audiovisuel, the body that regulates the French TV system, that it would not provide any additional capital for La Cinq, which lost an estimated FFr1.12bn ($215.8m) – slightly more than its overall turnover – in 1991 contributing to accumulated losses of around FFr3bn.

Other existing shareholders also refused to pour more money into La Cinq. The other investors include Mr Robert Hersant, the right wing French newspaper baron, with 7.5 per cent and the French banks – Crédit Lyonnais, Société Générale and Crédit Commercial de France – together with GAN, one of France's largest insurance groups, and Kleinwort Benson, the London-based bank.

La Cinq has had a chequered history in its six years on the air. Its introduction, combined with the privatisation of TF1 and the launches of Canal Plus and M6 formed part of a TV deregulation programme intended to offer new channels to French viewers by bringing private capital into the system. However, La Cinq, which styled itself as "family station" in spite of being best known in France for its late night soft pornography, never really succeeded in attracting enough viewers or advertising revenue.

Laister may quit as head of MCC

By Richard Gourlay in London

MR PETER LAISTER said last night he was considering resigning as chairman of Maxwell Communication Corporation following High Court approval on Tuesday of an arrangement covering the company's administration in the US that removes the MCC board's powers.

The arrangement between the UK administrators and the US examiner, appointed by the New York bankruptcy court, was designed to harmonise insolvency proceedings against MCC and avoid conflicts of jurisdiction. If the New York bankruptcy court approves the arrangement on Friday, as is likely, Price Waterhouse as UK administrators will effectively be recognised by the US court as "debtor in possession".

MCC board members will then lose the power to reconstruct the company under Chapter 11 bankruptcy law and will leave Mr Laister with no executive role either in the US or the UK where MCC is in administration.

"I have done what I became chairman to do, apart from the matter of MCC pensioners," Mr Laister said, saying the placing of MCC in the US in Chapter 11 was a necessary step.

He said he was concerned that any reconstruction would ensure MCC's UK pension funds were adequately refinanced. Some £73m ($135m) of the £95m in UK pension funds appear to have been taken and only about one third of assets currently needed were actually in place, he said.

Mr Laister took over as chairman of MCC on December 3, following Mr Kevin Maxwell's resignation in order to avoid conflicts of interest. He had a frosty relationship with Price Waterhouse.

He surprised MCC's bankers and Price Waterhouse by applying for Chapter 11 protection from creditors in the US where 80 per cent of MCC's assets are held.

He then criticised a Price Waterhouse report to bankers detailing the losses at MCC which alleged "extensive misfeasance" among senior executives as "a shoddy piece of work".

The eclipse of Mr Laister and the MCC board by the Transatlantic co-operation between bankruptcy officials should now allow an orderly wind down of the MCC empire.

In its application to the High Court, Price Waterhouse specifically called for Mr David Shaffer to remain as American chief executive of MCC because of his detailed knowledge of Macmillan and Official Airlines Guide, two of the largest assets.

Black in bid for Israeli interests, Page 14

Strong showing for UK pension funds

By Norma Cohen in London

UK PENSION funds scored an average return of over 16 per cent in 1991, more than recovering all their investment losses from the year before. However, the strong performance means that net new cash flowing into pension funds is running well below average and this is restricting fund managers' investment flexibility.

Returns on equities alone were a record 20 per cent, the best year for those securities since the WM Company, which measures pension fund performance, began keeping records in 1976. Returns on overseas equities totalled 21 per cent.

The stellar performance of domestic and foreign equities has been particularly significant for pension funds in the past year with average weighting in those securities rising to a record 80 per cent. In 1990, the average weighting was 70 per cent, while 10 years ago the average pension fund had 56 per cent of its assets in equities.

WM Company's Stephen Gosztony says that there has been a switch out of UK bonds and cash, but the performance of UK bonds in 1991, at 18.8 per cent, nearly matched that of equities. Cash investments showed a 12.9 per cent return. The worst performing sector was property, which recorded a 0.2 per cent decline, and index-linked securities, which returned 5.6 per cent.

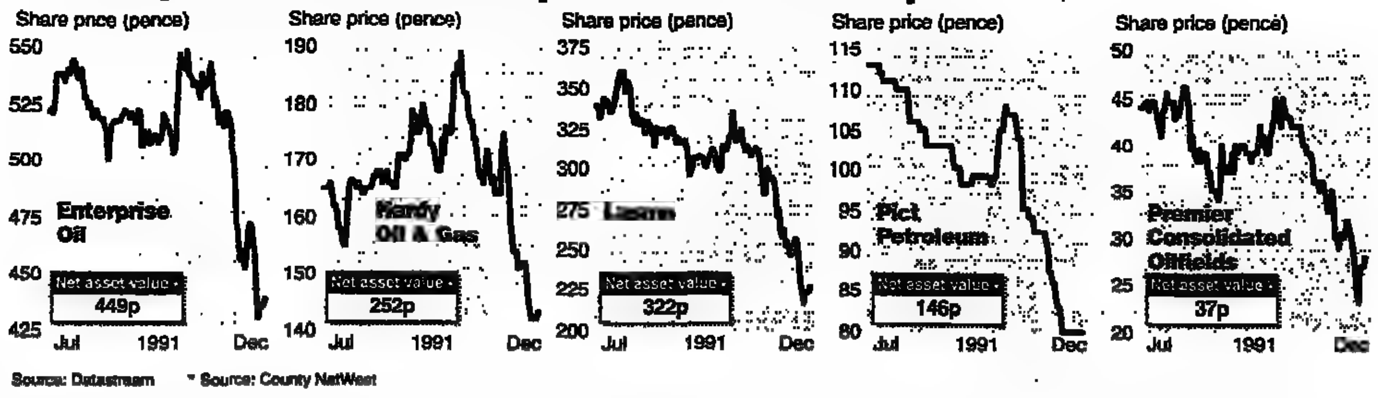
WM Company analyses the returns of 2,500 UK pension portfolios representing more than three-quarters of the total UK pension fund market.

Over the past five years, in spite of two stock market crashes, UK pension funds have comfortably out-run inflation, returning on average 9.5 per cent per year. This compares with average annual rises in retail prices over that period of 6.4 per cent, while average earnings rose 8.8 per cent per year. As a result UK employers are no longer providing enough new cash to their pension funds to meet current obligations.

Net cash flow in 1991 was 2 per cent of initial value, down from 3 per cent in 1990 and from 15 per cent in 1981. Thus, pension fund managers must use investment income to pay for a portion of benefits due to current retirees.

Fund managers prefer strong cash flows, Mr Gosztony said, because it gives them the option of directing funds to sectors they think will out-perform.

Recent performance of independent UK oil companies



Source: Datastream * Source: County NatWest

Deborah Hargreaves on the falling share prices of UK independents

Evaluating the worth of oil

THE SUCCESS of Lasmo's strongly-contested bid for fellow oil group Ultramar has piled gloom on the UK independent oil sector where shares have followed the declining oil price on its downwards spiral.

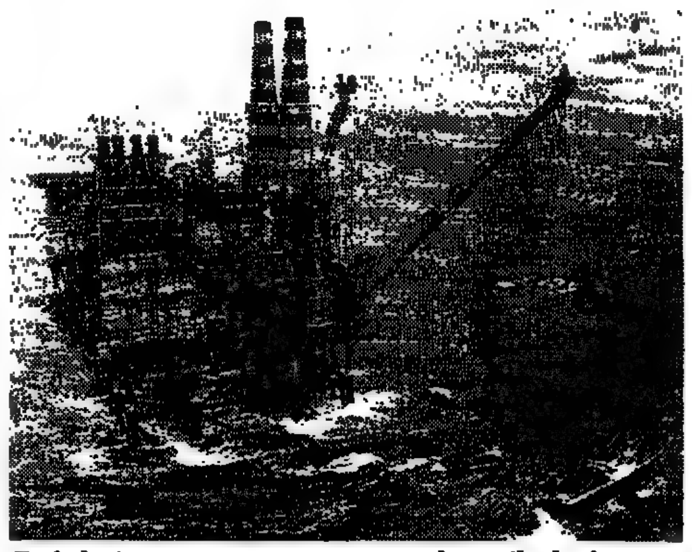
Lasmo's bid valued Ultramar well below the City of London's estimate of the company's worth. Now with many share prices in the sector at their lowest since the last oil price plunge of 1986, some analysts are reassessing the basis on which they value the independents. Many of these companies are still valued on paper at almost double their current share price.

"The market is valuing us on the basis of $18-a-barrel oil production with nothing in there for our exploration potential at all," said Mr Paul Zatts, finance director at Clyde Petroleum. Clyde's share price has dropped from more than 150p last year to 77½p against an net asset value by County NatWest of almost 100p a share.

Some of the smaller companies in the sector could feel the pinch enough to look for mergers and are vulnerable to takeover. "I think we will see a lot more forced mergers amongst the smaller companies in the next six to nine months," said Ms Angela Burns, oil analyst at County NatWest. AmBrit International, the small oil explorer quoted on the unlisted securities market, is currently facing a hostile offer of 6p a share from Pittencrief, the Scottish oil investment group.

The absence of cash-rich predators in the North Sea over the past year has contributed to the share price malaise. Many foreign-owned national oil companies have in the past been hungry for acreage in the North Sea and have buoyed the value of the UK independents by paying generously for packages of assets and companies.

But, in spite of Lasmo's low, initially all-paper offer for Ultramar, no white knight stepped in, which meant the company acquired Ultramar at 285p a share – well below some of the lowest City of London valuations which had put the diversified oil and gas group at 400p a share.



Turbulent waters: more mergers may be on the horizon

The UK oil exploration and production sector underperformed the FT All-Share index by 20 per cent during the two-month bid and continues to drop.

Lasmo itself now looks vulnerable in spite of its increased size. The company's share price has plummeted since the takeover and, at 223p a share, against the City of London's valuation of almost 100p a share more, Lasmo is one of the cheaper companies in the sector.

The asset valuation belies the company's potential which has been enhanced by Ultramar's assets. But some of the points made by Ultramar in its defence – such as Lasmo's expensive costs of finding oil – have needled shareholders who could be susceptible to a cash bid.

Lasmo is moving swiftly to unlock shareholder value by selling Ultramar's North American refineries which could be worth as much as £1bn ($1.82bn). The company has been talking to interested purchasers, but most interest has been shown in the Wilmington plant in California which could be sold by February when Lasmo announces its annual results. The Quebec refinery and Canadian petrol stations are expected to be floated off locally.

Lasmo is also looking to rationalise its North Sea portfolio and is expected to put up a package of assets for sale in a few months. These will probably consist of small stakes in fields – less than 10 per cent of the whole.

Other companies in the sector are also coming under pressure from shareholders to release value by selling acreage as soon as large discoveries are made. Hardy Oil and Gas has recently participated in a large discovery on the Elgin block of which it owns 20 per cent. The field is believed to contain about 150m barrels of oil and up to 1,000bn cu ft of gas and will be one of the biggest of the new generation of North Sea fields when it is developed in conjunction with the neighbouring Franklin field later in the decade.

"There is a view put forward in the City that we could sell it," said Mr Peter Elwes, deputy chairman and chief executive, who has seen the company's share price drop to 144p compared with an asset value of 250p. "But that is a very short-term approach and in trying to build this business we have to look five to seven years ahead."

Mr Roger Aylard, analyst at Warburg Securities, believes Lasmo's takeover of Ultramar will divide the UK exploration and production sector into a two-tier group, headed by Enterprise Oil and Lasmo which can be rated on earnings as well as asset values.

Suggestions by some analysts that all companies in the sector should be judged on earnings rather than asset values are quickly shot down by many of the smaller companies which devote all of their resources to exploration. In any case, as Mr Roland Shaw, chairman of Premier Oil, stresses: "Our earnings have increased this year [1991], but our share price has still dropped by 60 per cent."

The fall in shares prices has cut off one of the usual ways for small companies to raise cash for exploration programmes as it is impractical to launch a rights issue when prices are so low.

Pict Petroleum raised almost £12m from a recent rights issue, but Mr John Lander, managing director, said the company was not happy about having to offer the rights at a 15 per cent discount to the share price. Since then, the share price has dropped further and take-up of the rights was just over 50 per cent. "We have to work twice as hard to get the price back up again with good exploration news," he said.

There is little joy on the horizon for the UK independents until the oil price and the strength of the dollar show some recovery. Oil prices, which are usually fairly buoyant in winter, have dropped $5 since October to below $18 a barrel.

In addition, the weakness of the dollar against the pound has translated into a sterling oil price of £9.50 a barrel when many North Sea operations require a price above £10 a barrel to be profitable.

"We're at the end of a cycle and share prices are at ridiculous levels, but that doesn't mean we're finished," said Mr Shaw.

New US corporate issues hit $579.7bn

By Nikki Tait in New York

NEW ISSUES of underwritten corporate securities reached record levels during 1991 in the US, generating more than $4.5bn in fees for Wall Street investment banks.

Total corporate new issues – of both debt and equity-related securities – reached $579.7bn last year, according to IDD Information Services, the US financial information company. The previous record was set in 1990, when the figure amounted to $312.1bn.

The surge in new issue volume is attributed partly to record stockmarket levels which encouraged many companies with debt-ridden balance sheets to seek new equity funds, and partly to the dramatic decline in interest rates.

The sharpest growth was seen in "common share" offerings, up by 185 per cent to $54.8bn, whereas initial public offerings – or flotations – were up 140 per cent to $24.3bn. There was also a marked increase in preferred stock financings thanks to the use of PERCs, a new Morgan Stanley-designed financial instrument. Straight debt issues rose more modestly, by 75 per cent to $497.4bn.

The trend has brought healthy underwriting fees for Wall Street investment banks, although these remained below the record $5bn in 1986. Disclosed underwriting fees totalled $4.54bn last year, more than double the 1990 figure, with Merrill Lynch holding its position as the leading US corporate underwriter.

IDD attributed part of the surge in underwriting fees to the large number of equity offerings. These traditionally carry the highest percentage fee for underwriting investment bank.

UK COMPANY NEWS

A year-end round-up of the UK's top merchant bank advisers

Morgan Grenfell ends year on top

MORGAN GRENFELL finished 1991 as the UK's top merchant bank adviser, according to the most recent survey by the FT Mergers & Acquisitions International magazine.

Preliminary figures show that Morgan Grenfell, which had been leading the field for most of 1991, finished the year at the top of the table for the first time since 1987. The bank now looks to have recovered fully from the loss of command it suffered in the wake of the Guinness affair.

Optimists searching for signs of recovery in the debt and recession-hit UK mergers and acquisitions market might take heart from the fact that Morgan Grenfell's final total was almost 50 per cent higher than that with which Baring Brothers filled the top slot a year ago.

In terms of deal volume and value the final quarter was the busiest of the year. The top 10 banks in the table acted in 21 new qualifying bids, worth £6.4bn. This compares with 19 bids worth £1.13bn in the third quarter, 17 worth £1.3bn in the second quarter and 10 worth £2.1bn between January and March. Only bids for UK quoted companies which have been declared unconditional, lapsed or referred to the Monopolies and Mergers Commission, qualify for inclusion.

Morgan Grenfell clinched top spot in spite of not being involved in the year's biggest new deals. These were BTR's £1.55bn bid for Hawker Siddeley and Hanson's recommended offer for Beazer, which was worth about £1.5bn when the value of debt assumed is included.

Baring Brothers, last year's number one UK adviser, dropped to sixth place. Its only major credit was for advising Northern Telecom of Canada in its purchase of STC. Lazard Brothers, which has had a poor year in this respect at least, dropped to 14th place at the year end, from third place in the 1990 rankings. Lazards had no new qualifying UK deals in the final quarter.

Second-placed Goldman Sachs continues to be the strongest performing US investment bank in the UK and is breathing down Morgan Grenfell's neck. Goldman featured in only four bids for UK quoted companies in 1991, but the three in which it acted for the target – BTR/Hawker, NorTel/STC and Williams/Racal – totalled £3.65bn.

Goldman is still the only US bank in the top 10 in this table, but there are a further three lurking just outside. SG Warburg leads the table which includes overseas acquisitions and disposals by UK companies.

Goldman Sachs leads the international rankings for the fourth year in succession, although its total is a third down on 1988, when the international table first appeared. SG Warburg also performed strongly internationally, shooting up to second place, from ninth a year ago.

US banks continue to dominate the table which covers cross-border activity with a European leg, a market which many bankers argue is where the future lies. Six of the top 10 are US banks, with Goldman Sachs almost inevitably in pole position.

Brian Bollen

International Bids 1991

Adviser*	Value $m	Bids
Goldman Sachs (1)	23,112	40
SG Warburg (9)	22,582	44
Lazard Group (–)	17,609	36
CS First Boston (5)	17,093	52
Schroder Wagg (3)	15,226	59
Morgan Stanley (2)	13,223	33
Merrill Lynch (4)	12,321	21
Lehman Bros Intl (8)	8,904	22
JP Morgan (6)	7,025	40
Morgan Grenfell (12)	4,988	35

* Includes cross-border bids and domestic bids where a foreign bank has acted as an adviser. Final 1990 position in parentheses.
Source: FT Mergers & Acquisitions International

Completed bids for UK companies 1991

Adviser*	Value £m	Bids
Morgan Grenfell (14)	3,882	10
Goldman Sachs (9)	3,668	4
NM Rothschild (8)	2,549	7
SG Warburg (7)	2,442	10
Schroder Wagg (2)	2,415	19
Baring Brothers (1)	1,945	12
Hambro Magan (13)	1,773	8
BZW (5)	1,757	12
County NatWest (–)	1,673	6
Kleinwort Benson (6)	1,507	9

* Financial advisers named in bid documentation in completed bids for UK publicly-quoted companies. Final 1990 position in parentheses.
Source: FT Mergers & Acquisitions International

US bid activity down by almost a third

BID activity slumped by almost one-third last year in the US. Many of the remaining deals which did take place, occurred in a small number of consolidating sectors – such as commercial banking and cellular communications.

According Securities Data, the US financial information group, only 4,464 deals were struck last year in the US, with a total value of $145.6bn (£80bn) This compared with 5,150 transactions, with a value of $211.9bn in 1990.

However, activity in the US held up better than that worldwide. Global statistics showed a 38 per cent decline, from 9,273 deals valued at $498.4bn in 1990 to 8,340 deals worth $311.5bn last year. European merger volume fell sharply.

In the US, merger news was dominated by activity in the communications sector – where GTE acquired Contel for $6.2bn, PacTel merged cellular operations with those of Cellular Communications in a $2.98bn deal, and Bell Atlantic bought Metro Mobile for $2.3bn – and in banking. The latter included a $4.3bn merger between NCNB and C&S Sovran, and a $4.2bn deal between BankAmerica and Security Pacific.

The global league table of investment bank advisers was headed by Goldman Sachs, advising on 126 deals with a combined value of $61.5bn. It was followed, in descending order, by Morgan Stanley, Merrill Lynch, Lehman Brothers and First Boston. SG Warburg of the UK was in sixth place; Salomon Brothers held on to seventh position; and Schroders and Dillon Read, the Lazard houses, completed the top 10.

Nikki Tait

SE still favoured channel for announcements

By Richard Waters

MOST LISTED companies plan to continue releasing formal announcements exclusively through the London Stock Exchange, despite being given the freedom from today to make announcements to the stock market through other channels.

This is the preliminary finding from a Stock Exchange survey of companies' intentions, timed to coincide with the relaxation in publication rules.

News that few companies intend to use the new freedom to issue announcements through channels other than the exchange will come as a disappointment to Mr John Redwood, corporate affairs minister, who forced the exchange to give up its monopoly on price-sensitive company announcements this autumn.

Companies must still lodge a copy of any announcement with the exchange, but from today can also give it simultaneously to any other news vendors. This will give rivals to Topic, the exchange's commercial information system, greater opportunity to compete to publish news first.

However, many listed companies, while welcoming the increased competition, fear the effect of a free-for-all in company news on the market for their shares. The exchange has itself mounted a strong campaign in recent weeks to persuade companies not to use rival information services.

In a letter to all listed companies last month, Ms Christine Dann, the exchange's chief operating officer, warned of "a high likelihood of incomplete information reaching the market", prompting the exchange to declare "a period of indicative trading" – when market-makers do not have to quote firm prices.

Black in bid for Maxwell Israeli interests

By Hugh Carnegy in Jerusalem

MR CONRAD Black's Canadian-based Hollinger group of newspapers is among about 15 preliminary bidders seeking to acquire the late Robert Maxwell's main newspaper interests in Israel, a company official said yesterday.

Mr Yehuda Levy, President of the Jerusalem Post, which Mr Black acquired ahead of Mr Maxwell in 1979, said he had submitted a bid on Hollinger's behalf to the administrators appointed to dispose of the British publisher's Israeli holdings for the 84 per cent stake Maxwell held in Modi'in publishing.

Modi'in owns Ma'ariv, the country's second biggest selling daily newspaper, a Russian-language newspaper, a record company and other interests.

Other bids, which are understood to be priced around $15m, have been made by a range of Israeli and diaspora Jewish investors ahead of the December 31 1991 deadline for preliminary offers.

Mr Black, who last month headed a group which acquired the Fairfax group of newspapers in Australia, owns the British Daily and Sunday Telegraph.

Hollinger came to Israel when it paid $20m for the Jerusalem Post, easily outbidding Mr Maxwell, among others.

● Management of the Daily News, the New York tabloid which is part of the late Robert Maxwell's empire and which is currently under Chapter 11 bankruptcy protection, has told creditors that the end-December cash position stood at $8m (£4.3m), writes Nikki Tait in New York.

In discussions with the creditors' committee – the body formed to represent creditors in the bankruptcy process – management added that it was looking for debtor-in-possession financing. This is a type of temporary loan provided in bankruptcy situations, and the lender usually goes towards the front of the creditors' queue.

Daily News management said that projections of the paper's finances through to March 1 had been made and that further projections beyond that date would be made this month. It suggested that projections to date showed "adequate" cash flow, adding that "advertising and circulation remain strong".

Regina's dead, long live Regina

Michiyo Nakamoto on the royal jelly seller's survival

IF REGINA Health and Beauty Products, the one-time USM star which sells royal jelly, has any disgruntled shareholders, they were not to be found at the group's annual meeting.

Regina's shares have fallen over the years from a high of 48.96p in August 1988, to 1.5p on Tuesday, and have been locked between 3p and a low of 1p throughout this year. However, the first AGM with the group's new directors in place and with just a handful of shareholders in attendance, passed all the resolutions – including one to shorten the company's name to Regina – without a murmur from the floor.

Shareholders are presumably placing their faith in the new management team, led by Mr Shiraz Malik-Noor, chairman and chief executive, who is supported by Mr Paul Geoghegan, director, and Mr Anthony Shakesby, finance director.

Mrs Irene Stein, Regina's founder and former chairman who unexpectedly resigned two years ago – though still remaining one of its largest shareholders – was not present at Tuesday's meeting.

The new team, in place since early last year, has, it seems, done much to bring the company back from its dire financial straits of a year ago.

At its previous financial year-end on June 30 1990, Regina reported a pre-tax loss of £4.7m, owed the banks £150,000 and a further £250,000 to Mrs Stein, and had negative net worth of £1.33m.

Since Mr Malik-Noor took over in March this year, all the group's borrowings have been repaid with the exception of a small loan in Ireland. Mr Malik-Noor was even able to convince Mrs Stein to reduce her claims to £125,000, thereby saving the company a significant sum.

Employee numbers have been cut further from 35 to 31 and administrative costs have fallen by almost a third to £1.36m (£3.41m). The group's net worth is now positive, at £509,000, and the pre-tax loss has been reduced to £505,000.

All of this in a year that has seen the group's core business of selling royal jelly products slump in the face of the Gulf war and recession, with sales plunging to £3.21m (£5.7m). The extent of the downturn is more pronounced than the figures indicate as this year covers 14 months after the change of year-end to August 31.

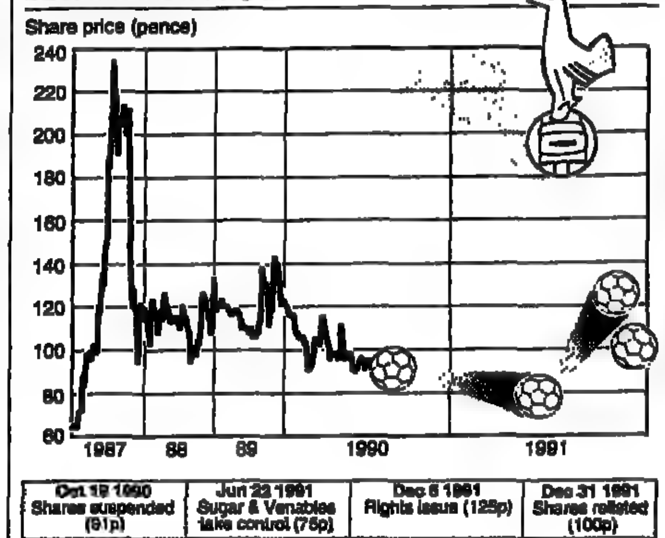
Mr Malik-Noor is optimistic about the future, but shareholders in the group, which faces a prolonged recession in major world markets, will need to place considerable trust in the chairman himself.

Regina's return to better health this time was only possible due to Mr Malik-Noor's generous £660,000 cash injection, via the exercising of options granted to him. He also arranged a placing with investors, including the Antonian Trust, to raise £180,000, bringing the total cash injection to £840,000 by the year-end.

Since then Mr Malik-Noor has again arranged a further placing, raising another £125,000 with "two friendly shareholders", an unnamed overseas investor and the Antonian Trust, the beneficiaries of which are unknown to Mr Malik-Noor.

As a result, Regina's major shareholders are now Croxley Holdings, a discretionary trust established by Mr Malik-Noor and whose beneficiaries include members of his family, Mrs Irene Stein, Mr Malik-Noor himself and the mysterious Antonian Trust.

Tottenham Hotspur



Source: Datastream

Tottenham Hotspur, owner of the north London football club, has room to celebrate. Mr Gary Lineker, Spurs' star striker, was awarded an OBE in the New Year's honours list and yesterday the club clinched a 2-1 victory over Coventry. After a 14½ month suspension, Spurs' shares resumed trading on Tuesday, rising 9p, to 100p. Nevertheless the celebratory mood in the stock market is likely to be tinged with concern over what might happen to the club's performance on the field, if it loses Mr Paul Gascoigne to Italy and Mr Lineker to Japan

French credit card processor buys 51% stake in Nexus

By David Barchard

SLIGOS, the French electronic payments and credit card processing company, has bought a 51 per cent stake in Nexus Payment Systems.

The deal means that Sligos enters the UK for the first time. Last year the French concern, which has an annual turnover of £320m, bid unsuccessfully against First Data Resources, a subsidiary of American Express, for the Southend and Basildon card processing operations of Signet, the Access credit card processing company.

Sligos is believed to have lost that deal because its bid was delayed because the then Trade Secretary, Mr Peter Lilley, referred it to the Monopolies and Mergers Commission. The referral was based on the fact that Sligos's parent, Credit Lyonnais is a state-owned bank.

Nexus was set up in 1989 to provide third party services for automated teller machines and point of sale terminals to banks, building societies and other financial services institutions, as well as telephone banking and computer disaster recovery services.

Three non-executive directors will join the board of Nexus from Sligos.

Mr Rob Fairbrother, managing director of Nexus, said the link with Sligos would help the company provide specialist cost-effective payment services to large financial institutions.

MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
Financial Times				
Government Securities	86.71	85.51	86.79	87.16
Fixed Interest	96.82	96.17	95.65	96.23
Ordinary	1830.5	1920.4	1979.1	2053.9
Gold Mines	164.8	158.1	166.6	168.9
SEAQ Bargains(4.45pm)	21,859	25,446	26,924	29,851
F.T.-Actuaries				
Industrial Group	1,215.37	1280.91	1268.80	1307.39
500 Share	1,290.58	1353.28	1367.17	1404.24
Financial Group	701.97	757.45	797.50	836.80
All-Share	1,156.90	1210.26	1245.25	1286.20
FT-SE 100	2410.5	2505.1	2580.9	2622.2
FT-SE Eurotrack 100	1046.12	1085.05	1095.13	1115.00

	Highest Dec. close	Lowest Dec. close
Ordinary	1891.6 (31st)	1781.4 (23rd)
All-Share	1174.88 (13th)	1126.05 (23rd)
FT-SE 100	2493.1 (31st)	2345.4 (23rd)
FT-SE Eurotrack 100	1079.41 (31st)	1026.29 (23rd)

Changes to FT-Actuaries Indices

THE following changes to the FT-Actuaries Indices will take effect from today, in addition to the changes in companies' industrial classifications previously announced.

Deletions: AB Electronics (FT-A sector 5 – Electronics); Acatos & Hutcheson (25 – Food Manufacturing); Baltic (70 – Other Financial); Brown Shipley (68 – Merchant Banks); Chloride (4 – Electricals); Emess (4 – Electricals); GEI International (7 – Engineering, General); Markheath (69 – Property); Trafford Park (69 – Property); TR Far East (71 – Investment Trusts).

Additions: Frost Group (48 – Miscellaneous); Bromsgrove (8 – Metals and Metal Forming); CRT Group (41 – Business Services); Serco Group (41 – Business Services); Reg Vardy (9 – Motors); Burford Holdings (69 – Property).

Changes to FT-SE Eurotrack 100 Index

Following a further review of constituents, the following changes to the FT-SE Eurotrack 100 Index will take effect from today. The review was carried out because prices for seven Belgian constituents are expected to become indicative.

Deletions: Delhaize, Electrobel, GIB, GBL, SGB, Solvay, Tractebel (all Belgium); Pirelli (Italy); Thyssen (Germany); Accor (France).

Additions: OeMV (Austria); RAS (Italy); Atlas Copco (Sweden); ABN Amro Holdings (Netherlands); Bayerische Vereinsbank (Germany); Thomson-CSF (France); Viag (Germany); Ciba Geigy Br. (Switzerland); Pernod-Ricard (France).

Indicative reserve list: Elsevier (Netherlands); Zurich Part. Certs. (Switzerland); Thyssen (Germany); CMG Packaging(France).

Changes to London Share Service

The following changes will be made in companies' industrial classifications in the London Share Service with effect from tomorrow: Heiton Holdings to Building Materials from Miscellaneous; Philips Electronics to Electricals from Conglomerates. Waverley Finance will remain in Mining Finance.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

FUTURE DATES

Finals-

Barr (A.G.)	Jan. 6
Burndene Investments	Jan. 14
London & Clydeside	Jan. 22
Securicor	Jan. 9
Security Services	Jan. 9
Selective Assets	Jan. 16
Soundtracs	Jan. 6

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Chemical to lift charge to cover merger costs

By Patrick Harverson in New York

THE new banking group created by the merger of Chemical Banking and Manufacturers Hanover announced on Tuesday it will have to take a bigger-than-expected fourth quarter charge against earnings to cover the expenses related to the link-up.

The merger to form the new group, Chemical Banking Corporation, was formally completed this week.

Original estimates were that a charge of $550m would be required to finance the deal, but the cost of the merger proved greater than expected and the charge has increased to $625m.

The new Chemical, however, said it expected annual savings to be realised from the merger would be $750m by 1994. If this target was met, it would be $100m greater than first estimated.

Chemical also announced plans to raise $1.25bn in a January stock offering, the proceeds of which will be used to boost the group's capital base.

The new bank has assets of about $140bn and shareholders' equity of more than $7bn, making it the second largest bank in the US behind Citicorp.

Harsh winter for Canada's forestry industry

Bernard Simon reports on FCC's shift in strategy as it adjusts to the recession

Discomfort has turned to agony in Canada's embattled forestry industry. Instead of the gradual recovery which pulp, paper and timber producers were hoping for in late 1991, many companies are girding themselves for the heaviest losses of the year in the fourth quarter.

The sombre reality is sinking in that this pillar of the Canadian economy not only faces the rigours of an unexpectedly deep recession, but must also move more quickly to adjust to some severe structural handicaps. Canada's declining competitiveness in commodity pulp and newsprint grades, its distance from supplies of paper for recycling, high labour costs and strict environmental laws are among the factors forcing changes well beyond a simple tightening of corporate belts.

Among the companies taking the most drastic action is Fletcher Challenge Canada (FCC), 72 per cent owned by New Zealand's biggest company.

Vancouver-based FCC is cutting its product range, moving away from low-margin commodity grades and wood products, to more specialised, value-added businesses. It is selling some assets and seeking foreign partners – preferably customers – for others. Last, but not least, it is putting the squeeze on costs.

The shift in strategy will cut FCC's virgin newsprint capacity to 446,000 tonnes in 1992, less than half its 1989 output. Similarly, its equity share of market pulp will slide from 931,000 tonnes to 585,000 tonnes.

On the other hand, it expects to add almost 300,000 tonnes of capacity in recycled and special-grade newsprint, as well as expand a pioneering – and profitable – venture at its Elk Falls mill on Vancouver Island which makes pulp from sawdust.

A common thread running through the shake-up is a profound disquiet with the business environment in Canada. While FCC will remain one of western Canada's biggest forestry companies, its centre of gravity is moving unmistakably southward.

Mr Doug Whitehead, FCC's chief operating officer, notes that the government of British Columbia, which owns the province's forests, has made no fewer than 23 changes in tree-cutting rules in the past five years. On the other side of the country, Quebec's eagerness to increase local ownership helped persuade FCC to sell its 45 per cent stake in Donohue St Felicien, which runs a softwood pulp mill and four sawmills.

By contrast, FCC is broadening its business south of the border. It is already the biggest newsprint supplier to California, and is negotiating a partnership to build a recycled newsprint plant in the US. FCC has also bought a 50 per cent stake in a corrugated packaging company in Washington state.

The forestry business was Fletcher Challenge's first big investment in North America. The New Zealand company bought Crown Forest Industries and 72 per cent of British Columbia Forest Products in quick succession in the mid-1980s. The two companies are managed as one, but, as a legal entity, FCC consists only of the former BCFP. Crown Forest is held through the New Zealand parent.

The combined operations contribute almost two thirds of Fletcher Challenge's pulp and paper revenues, which in turn made up 28 per cent of its total 1990 turnover. The presence in the US and Canada has had another important benefit in helping to broaden its access to capital.

Last year alone, Fletcher Challenge raised over US$600m in debt from US and Canadian financial institutions. About 18 per cent of its voting equity is now held in North America.

But the operating performance of the North American forestry interests has become a serious concern. FCC – the former BCFP alone – lost C$43.5m in the first nine months of the year. The loss for the year as a whole is likely to be well over C$60m. The company declines to disclose losses inclusive of operations of the former Crown Forest.

Singling out Canadian pulp, paper and wood products as the biggest drain on the parent's earnings, Mr Hugh Fletcher, the New Zealand group's chief executive, said last summer "the decline in competitiveness and in product prices has been much more severe than we envisaged. We need fundamental change of both the macro settings and our overall involvement".

FCC is moving on several fronts. It has sold or closed several sawmills as well as plywood and panel factories in British Columbia. The sale of its interest in Quebec's Donohue St Felicien in late December raised C$85m (US$73.9m)in cash plus a C$35m promissory note.

It is seeking a buyer for up to half the flagship Crofton complex on Vancouver Island, which is one of North America's biggest newsprint and kraft pulp mills. Similarly, FCC is talking to a Japanese customer about taking a stake in – or buying outright – two wood-products plants in the British Columbia interior.

A C$300m modernisation at Crofton, now in its final stages, paves the way for production of a wider variety of special pulps blended from hemlock, fir and cedar chips. FCC claims the mill will be among the cleanest in the world.

One consolation for FCC is that it is not alone in its plight. Mr Ross Hay-Roe, analyst at Research Capital in Vancouver, expects almost all Canada's leading forestry companies to report higher fourth quarter losses. Newsprint prices have continued to slide.

North American pulp producers raised their prices on December 1, but this will not compensate for lower returns in October and November. One of the few bright spots in recent weeks has been a sudden drop in the Canadian dollar, which has helped push up the share prices of most Canadian forestry companies.

Mr Whitehead's predictions include a spate of mergers and takeovers, the closure of several more newsprint machines and mounting pressure on trade unions and governments to ease the industry's weighty cost and regulatory burden.

FCC has lagged behind its rivals in persuading customers to become equity partners in newsprint and pulp mills. But in other respects, Mr Whitehead is confident the company is "at least a year ahead of everyone else" in adjusting to a climate which is turning out to be as harsh as a Canadian winter.

DSF owns a low-cost bleached softwood kraft pulp mill, with an annual capacity of 300,000 tonnes, north of Quebec City. It also operates four sawmills in Quebec.

Fletcher Challenge's sale of its interest in DSF is part of a wider disposal of assets aimed a shifting the main focus of the company's North American forestry operations from Canada to the US and reducing its exposure to low margin lumber. Fletcher considered buying Donohue's interest in DSF, whose pulp mill is one of the most efficient in Canada. But Mr Whitehead said the Quebec government was keen to keep control of the company in Quebec hands.

Siemens to take control of Skoda transport unit

By Ariane Genillard in Prague

SIEMENS, the German electrical and electronics group, has increased its investment in Czechoslovakia by agreeing to take control of the transport division of Skoda, Pilsen, the country's largest engineering company.

The deal, under which Siemens will acquire 51 per cent of Skoda's transport business, is valued at $105m, according to the International Finance Corporation, an arm of the World Bank, which advises the Czech company.

The transport divisions of Krauss-Maffei and Krupp of Germany – Siemens has a 25 per cent stake in both companies – will also take an undisclosed portion of Siemens' holding.

Four weeks ago, Siemens won the race for control of Skoda, Pilsen's energy division, valued at $170m, beating Westinghouse of the US and Asea Brown Boveri (ABB), the Swiss-Swedish concern. For both ventures, Siemens has offered its Czech partners guarantees to maintain employment and retain research and marketing facilities.

Siemens said it would start operating with the 3,500 employees in Skoda's transport division, some 90 per cent of whom are working on contracts to supply the former Soviet Union with electric locomotives. Siemens said its first priority would be to retain this market.

The joint venture also plans to make suburban trains and underground railway carriages, said Mr Ladislav Novotny, general manager of Skoda, Pilsen.

Siemens will use Skoda to help it fulfil its growing order book. In the financial year to end-September 1991, orders for the German group's transport division, expanded by the acquisition of the Duewag rail wagon manufacturer, rose by 70 per cent to DM3bn ($1.8bn).

Brazilian private sector hit by high interest rates

By Victoria Griffiths in Sao Paulo

THE Brazilian private sector has been through its most difficult 12 months in the past decade as recession and high interest rates have eaten into profitability.

The evaluation comes from the research group Tecnica Assessoria de Mercado de Capitais e Empresarial after a study of results for the first nine months of the year filed with Comissao de Valores Mobiliarios, Brazil's stock market watchdog.

Of the 10 sectors analysed by the group, seven showed a decline in profits with airlines among those under most pressure.

Although the airline industry boasted higher sales than the previous year, profits were hit by high interest rates as the sector staggered under the weight of heavy indebtedness. Losses for the sector in the first nine months of the year were $239m.

The capital goods sector ran up a $60m loss over the period, while the car parts sector ended the period $81m in the red.

Paper and cellulose companies were hit by a fall in domestic consumption and an overvalued cruzeiro, which cut into exports. Aracruz, the sector leader, suffered a loss of $47m for the period.

The car sector also had a bad year. Price controls devastated profits for the first nine months of 1991. Since price ceilings were lifted a few months ago, huge price rises have allowed companies to recuperate some of their losses.

Telebras, the state-owned telecommunications group, was the star of the Brazilian stock market this year thanks to keen interest on the part of foreign investors. The group, which has the highest market capitalisation in the country, forecast net profits of $1bn a few weeks ago. Later, the group changed the estimate to about $700m, after $300m was set aside for possible losses in an employee law suit against the group.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg on day	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107⅛	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Closing prices on December 31

Ikea makes $20m cash bid for Stor

By Nikki Tait in New York

IKEA, the Swedish-based furniture retailer, is making a cash bid for Stor, a Californian home furnishings chain, whose shares trade on the Nasdaq over-the-counter market.

Stor is a relatively small operation with four outlets – three in southern California and one in Houston, Texas – and Ikea's $3.10 a share offer values it at $19.8m. However, this is the first time the privately owned Swedish group has made an acquisition in the US and the extra outlets will significantly boost its fast-growing presence in North America.

Ikea said one of the four Stor stores duplicates a site it plans to open in California. This store will be closed. The remaining three stores will be converted to the Ikea format. Annual sales of the four Stor outlets stand at around $70m.

At present, Ikea operates seven outlets in the US, mainly on the east and west coasts, and annual sales last year were $284m.

This represented a 68 per cent increase on the previous 12 months, making the US one of the retailer's fastest growth markets.

Aside from the three ongoing Stor outlets, Ikea plans to open two stores in California in the spring. This should give it at least a dozen US outlets by late-1992.

Australian market has best returns

By Tracy Corrigan

THE Australian market posted the best returns of any government bond market in 1991, providing total returns of 24.5 per cent for local currency investors, 23 per cent for dollar-based investors and 25.3 per cent for sterling-based investors, according to Kemper Investment Management.

Dollar-based currencies generally performed well over the year, with New Zealand, Canada and the US also among the best, but their performance waned towards the end of the year.

The strong appreciation of the D-Mark against the dollar pushed bunds into the top position for dollar-based investors in November and December.

Not surprisingly, Finland proved the weakest market in the fourth quarter, due to the devaluation of the Finnish markka in November.

The four dollar markets also slid towards the bottom of the rankings in the fourth quarter.

The gilts market ranked around the middle in all categories taken over the year, but achieved the best returns for both dollar and sterling-based investors in the third quarter.

All the 21 markets monitored by Kemper offered returns higher than coupons in local currency, providing capital gains.

COMPANY NEWS IN BRIEF

Bond fails to win stay of order

MR ALAN BOND, the former Australian tycoon fighting to avoid bankruptcy, has failed to obtain the stay of an order that he pay $194m to banks, Reuter reports from Sydney.

The New South Wales Court of Appeal rejected his attempt to stay the order that he honour a personal guarantee to the banks.

Justice Michael Kirby said the consequences of the ruling were potentially serious for Mr Bond, who on Monday was served with a notice requiring him to pay the money within 28 days.

The judge said Mr Bond could now request a stay from the High Court, Australia's top court, or seek an extension of the payment order in Federal Court.

■ Playmates International Holdings, the Hong Kong maker of Teenage Mutant Ninja Turtle toys, is to sell its traditional dolls and pre-school toys business to Unimax Toys, another toy company based in the colony, for a 49 per cent stake in Unimax, AP-DJ reports from Hong Kong.

The value of the transaction was not disclosed.

Mr Thomas Chan, Playmates managing director, said the partnership with Unimax would allow his company to focus its resources and effort on promotional toys – toys linked to other media such as films, music and television programmes and which are generating increasing revenues for the group.

■ The Chicago Mercantile Exchange (CME) is to introduce consecutive monthly expirations for its Eurodollar futures-options starting January 13 1992, Reuter reports from Chicago.

The new expirations will expand the quarterly expiration cycle which offers options in months corresponding to underlying futures settlements of March, June, September and December.

The CME will start the new cycle with the February 1992 option that tracks March 1992 Eurodollar futures and the April 1992 option that follows June 1992 futures.

WORLD COMMODITIES PRICES

MARKET REPORT

Sizeable changes in aluminium and zinc stocks at London Metal Exchange warehouses were *reported on New Year's Eve* and prompted an apparently perverse reaction. Aluminium stocks moved closer towards 1m tonnes with a 32,225 tonnes rise taking the total to a record 987,150 tonnes. Traders said this produced some dealer selling before trade buying interest reversed the trend so, despite the stock rise, aluminium for delivery in three months ended New Year's Eve $1.75 up at $1,150.50 a tonne. Zinc stocks fell by 4,600 tonnes to 152,000 tonnes after a big shipment out of Rotterdam. Traders said this was possibly the tail-end of a large merchant shipment of Peruvian metal to the US. Three-month zinc prices closed on December 31 down 50 cents at $1,115 a tonne. Dealers said trading was very thin. Copper prices were under modest downside pressure after news that LME stocks rose by 1,925 tonnes to 327,425 tonnes, the highest since March, 1984. Cocoa futures closed with moderate losses after active fund-selling. With New York also sharply weaker, near-March tested what was seen as key support at £742 a tonne. Dealers said there *was no fundamental reason* behind the drop in price, other than long speculator liquidation.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil December 30 (per barrel FOB)		+ or -
Dubai	$14.70-4.80q	
Brent Blend (dated)	$17.90-8.05	
Brent Blend (Feb)	$17.80-7.85	
W.T.I. (1 pm est)	$19.80-8.90q	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-196	
Gas Oil	$161-162	-4
Heavy Fuel Oil	$64-65	
Naphtha	$183-185	-1½

Petroleum Argus Estimates.

Other		+ or -
Gold (per troy oz)♣	$353.30	+1.55
Silver (per troy oz)♣	388.0c	+0.5
Platinum (per troy oz)	$334.20	+3.2
Palladium (per troy oz)	$79.75	+0.40
Copper (US Producer)	101.80	
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.81r	
Tin (New York)	336.75c	-0.50
Zinc (US Prime Western)	62c	
Cattle (live weight)†	103.96p	-14.6*
Sheep (dead weight)†	163.78p	-7.95*
Pigs (live weight)†	85.30p	-4.55*
London daily sugar (raw)	$232.6z	-1.0
London daily sugar (white)	$273.8z	-1.4
Tate and Lyle export price	£232.5	-0.5
Barley (English feed)	£125.5y	
Maize (US No. 3 yellow)	£147.5y	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	47.75p	
Rubber (Mar)♥	48.25p	+0.25
Rubber (KL RSS No 1 Jan)	213m	
Coconut oil (Philippines)§	$712.5v	+2.5
Palm Oil (Malaysian)§	$382.5u	
Copra (Philippines)§	$460t	
Soyabeans (US)	£141y	-2
Cotton "A" Index	61.35c	
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Jan z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	196.00	196.00	197.00 195.40
May	194.00	193.00	
Aug	196.00	197.00	193.40
Oct	198.00	194.00	191.60
White	**Close**	**Previous**	**High/Low**
Mar	275.6	275.5	275.5 274.8
May	276.3	276.0	275.3
Aug	280.8	280.5	278.8
Oct	282.8	282.0	281.3 281.0
Dec	261.0		260.9 259.7
Mar	262.3		260.9
May	262.2		260.5

Turnover: Raw 142 (78) lots of 50 tonnes. White 1030 (123)
Paris- White (FFr per tonne): Mar 1458.46, May 1473.54

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	17.61	17.72	17.72 17.52
Mar	17.52	17.64	17.60 17.40
Apr	17.58	17.55	
May	17.30	17.35	17.30
Jun	17.30	17.41	17.30
IPE Index	17.63	17.61	

Turnover 3841 (12297)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	158.00	161.75	160.00 157.50
Feb	159.50	164.00	162.00 159.25
Mar	159.50	164.00	163.00 159.50
Apr	157.75	162.00	161.50 157.75
May	157.60	161.25	159.75 157.60
Jun	161.00	162.50	162.75 160.50
Jul	163.75	164.75	163.75 163.25
Aug	166.25	166.00	166.25 165.00
Sep	168.25	170.00	168.50 168.00

Turnover 6348 (11065) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Dec.31	Dec.30	mnth ago	yr ago
1594.1	1600.1	1641.5	-

DOW JONES (Base: Dec. 31 1974 = 100)	Dec.30	Dec.27	mnth ago	yr ago
Spot	109.87	112.08	116.51	124.97
Futures	119.76	120.27	122.20	127.76

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	723	738	723 723
Mar	745	758	753 743
May	767	783	777 767
Jul	794	810	803 793
Sep	817	833	824 817
Dec	850	864	856 849
Mar	877	891	881 877
May	893		897 897
Jul	910		911 910
Sep	921		920

Turnover: 4262 (3644) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne) Daily price for Dec.30 959.51 (971.68) 10 day average for Dec.31 980.56 (983.94)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	978	1002	993 975
Mar	981	1000	995 977
May	983	1002	995 980
Jul	997		1000 995
Jan	1042		1042

Turnover:1269(695) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.30: Comp. daily 61.57 (62.45) 15 day average 62.34 (62.52)
Sterling close: January £538 , March £ 536

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	121.0	121.0	121.0
May	140.0	141.0	

Turnover 19 (4) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	122.00	125.00	122.00

Turnover 35 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Mar	1550		1550
BFI	1494	1492	

Turnover 1 (8)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	125.85	125.75	125.80 125.60
Mar	129.50	129.30	129.55 129.50
May	133.10	132.85	133.10 132.60
Jun	134.75		134.55
Barley	**Close**	**Previous**	**High/Low**
Jan	119.35	119.10	119.25
Mar	122.70	122.55	

Turnover: Wheat 276 (157), Barley 3 (132). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	107.0	106.5	
Feb	108.0	107.5	
Mar	109.0	108.5	
Apr	108.5	109.0	
May	110.0	110.0	

Turnover:1 (6) lots of 3,250 kg

MOMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	131.17	131.10			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 24,512 lots	
Cash	1126-7	1124.5-5.5	-	1125-6		
3 months	1150-1	1148.5-9.0	-	1149.5-50.0	-	-
Copper, Grade A (£ per tonne)					Total daily turnover 27,129 lots	
Cash	1158.5-9.5	1165-6	-	1158.5-9.5		
3 months	1188-9	1193-3.5	-	1188.5-9.5	-	-
Lead (£ per tonne)					Total daily turnover 3,183 lots	
Cash	289-91	295.5-6.5	-	288-8.25		
3 months	300-2	306.5-7.0	-	299-9.25	-	-
Nickel ($ per tonne)					Total daily turnover 2,049 lots	
Cash	7170-80	7200-10	-	7170-5		
3 months	7210-20	7235-40	-	7210-2	-	-
Tin ($ per tonne)					Total daily turnover 1,314 lots	
Cash	5550-60	5620-30	-	5600-5		
3 months	5600-10	5668-72	-	5645-50	-	-
Zinc, Special High Grade ($ per tonne)					Total daily turnover 6,722 lots	
Cash	1168-70	1173-5	-	1177.5-8.0		
3 months	1114-6	1114-5	-	1117-8	-	-

LME Closing £/$ rate: SPOT: 1.8673 | 3 months: 1.8361 | 6 months: 1.8119 | 9 months: 1.7851

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	353.10-353.50	
Opening	353.10-353.50	
Morning fix	353.40	191.880
Afternoon fix	-	-
Day's high	353.20-353.50	
Day's low	353.50-353.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.60	6 months	3.43
2 months	3.54	12 months	3.35
3 months	3.50		

Silver fix	p/fine oz	US cts equiv
Spot	208.20	388.00
3 months	211.80	383.90
6 months	217.30	393.60
12 months	228.20	401.50

GOLD COINS December 30
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	353.00-354.00	189.00-189.50
Maple leaf	364.00-365.00	194.50-195.00
New Sovereign	86.50-87.50	46.25-46.75

TRADED OPTIONS

Coffee	Mar		Mar	
900	80		5	
950	19		24	
1000	5		60	
Cocoa	**Mar**	**May**	**Mar**	**May**
725	48	78	18	20
750	34	62	27	29
775	24	48	42	40
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1850	12	42	101	140
1900	6	25		174
1950	4	14	191	212

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	354.1	352.6	0	0
Feb	355.2	353.9	355.8	353.6
Mar	356.3	0	0	0
Apr	357.5	356.2	357.6	355.8
Jun	359.5	358.3	359.7	358.3
Aug	361.8	360.5	361.2	360.8
Oct	363.8	362.6	363.8	363.0
Dec	366.0	364.7	0	0
Feb	368.3	367.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	338.7	335.8	339.5	334.5
Apr	339.2	336.1	339.5	336.0
Jul	340.6	338.1	341.2	339.5
Oct	345.4	343.8	344.5	344.4
Jan	346.2	345.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	388.3	384.5	389.0	388.0
Feb	389.9	385.5	387.5	387.5
Mar	391.2	387.8	392.0	386.0
May	394.6	391.2	394.5	389.0
Jul	397.5	394.4	396.5	393.0
Sep	401.0	397.7	396.0	396.0
Dec	406.0	402.7	405.0	402.0
Jan	407.5	404.5	0	0
Mar	411.4	408.1	407.5	407.5
May	415.0	411.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	96.70	97.70	97.60	96.65
Feb	97.25	98.05	98.00	97.35
Mar	97.85	98.45	98.35	97.00
Apr	97.45	98.40	98.20	98.20
May	97.45	98.25	98.05	97.30
Jun	97.45	98.10	0	0
Jul	97.30	98.10	97.90	97.60
Aug	97.25	98.05	0	0
Sep	97.20	98.00	97.80	97.40
Oct	97.05	97.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	19.12	18.85	19.15	18.45
Mar	19.12	18.64	19.15	18.48
Apr	19.19	18.70	19.20	18.54
May	19.23	18.75	19.15	18.61
Jun	19.28	18.81	19.15	18.70
Jul	19.33	18.87	19.20	18.76
Aug	19.35	18.93	19.00	18.85
Sep	19.43	18.99	18.90	18.90
Oct	19.47	19.04	19.25	18.95
Nov	19.52	19.09	19.33	19.00

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jan	4829	4808	4860	4800
Feb	5110	5018	5130	4910
Mar	5209	5117	5230	5025
Apr	5200	5145	5200	5085
May	5072	5063	5100	5000
Jun	5032	5021	5080	5020
Jul	5022	5011	5060	5000
Aug	5102	5091	0	0
Sep	5227	5216	0	0
Oct	5327	5311	5375	5375

COCOA 10 tonnes,$/tonnes

	Close	Previous	High/Low	
Mar	1245	1284	1278	1235
May	1285	1327	1317	1280
Jul	1327	1355	1350	1326
Sep	1350	1383	1378	1350
Dec	1387	1420	1415	1402
Mar	1415	1448	0	0
May	1437	1470	0	0
Jul	1462	1495	1485	1480
Sep	1484	1517	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	77.70	77.05	77.75	76.95
May	80.45	79.90	80.55	79.80
Jul	82.70	82.60	82.90	82.50
Sep	85.35	85.15	85.50	85.25
Dec	90.75	88.75	0	0
Mar	92.25	91.90	92.25	92.25
May	94.25	94.15	94.25	94.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.00	8.96	9.01	8.94
May	8.84	8.75	8.84	8.77
Jul	8.75	8.67	8.75	8.66
Oct	8.82	8.59	8.82	8.58
Mar	8.62	8.55	8.62	8.02
May	8.61	8.53	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.17	59.24	59.21	58.60
May	60.70	60.72	60.70	60.35
Jul	61.86	61.95	61.80	61.50
Oct	63.55	63.77	63.75	63.55
Dec	63.75	63.90	63.80	63.65
Mar	65.00	65.05	0	0
May	65.25	65.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	156.15	154.30	165.30	153.60
Mar	155.50	155.00	155.95	154.25
May	156.15	155.75	158.50	155.00
Jul	157.00	155.65	157.00	156.50
Sep	156.45	155.25	156.25	155.00
Nov	146.25	145.75	0	0
Jan	144.75	144.25	144.00	144.00
Mar	144.75	144.25	0	0
May	144.75	144.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	554/6	552/4	555/4	552/2
Mar	557/0	554/4	557/4	553/4
May	563/2	563/0	563/4	560/0
Jul	572/6	569/4	573/0	569/4
Aug	578/0	573/0	578/0	573/0
Sep	580/0	576/0	580/0	576/0
Nov	582/4	580/6	583/0	579/0
Jan	593/0	589/4	593/0	590/0
Mar	603/0	598/0	603/0	598/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	18.50	18.48	18.60	18.44
Mar	18.79	18.78	18.81	18.72
May	19.09	19.07	19.20	19.04
Jul	19.42	19.35	19.50	19.35
Aug	19.60	19.58	19.66	19.50
Sep	19.72	19.67	19.80	19.65
Oct	19.77	19.75	0	0
Dec	20.10	20.10	20.15	20.08
Jan	20.05	20.10	0	0
Mar	20.80	0	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	174.7	173.6	175.0	172.8
Mar	172.6	171.7	172.8	171.2
May	172.2	171.7	172.5	171.3
Jul	173.0	172.7	173.4	172.2
Aug	174.0	173.7	174.3	173.1
Sep	176.0	174.0	176.0	173.7
Oct	188.4	188.5	189.0	188.4
Dec	190.0	190.0	190.0	190.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	251/4	251/6	252/2	251/0
May	257/4	257/4	258/0	256/6
Jul	262/0	262/2	262/6	261/2
Sep	260/0	260/0	260/2	259/0
Dec	257/2	257/4	257/6	256/2
Mar	264/0	263/6	264/2	263/6
May	267/4	268/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	404/6	397/6	405/0	398/4
May	381/0	375/4	381/4	375/0
Jul	342/6	339/4	344/4	338/4
Sep	347/0	343/2	347/4	343/0
Dec	352/6	350/2	354/4	350/0
Mar	356/6	358/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	72.40	71.77	72.45	71.95
Apr	73.02	72.70	73.20	72.85
Jun	68.55	68.62	68.95	68.45
Aug	66.57	66.60	66.90	66.47
Oct	67.20	67.15	67.25	66.85
Dec	68.22	68.20	68.30	67.87

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	39.30	39.12	39.50	39.10
Apr	37.45	37.50	37.77	37.35
Jun	42.57	43.00	42.85	42.52
Jul	43.32	43.38	43.47	43.25
Aug	42.30	42.42	42.45	42.25
Oct	39.85	40.10	40.15	39.70
Dec	42.65	42.82	43.05	42.60
Feb	43.80	43.90	0	43.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	36.22	36.27	36.80	36.15
Mar	36.50	36.57	36.75	36.45
May	37.47	37.62	37.70	37.35
Jul	37.77	37.97	37.85	37.60
Aug	37.00	37.17	37.10	36.65

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Dec 31 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Dec 30 Index No.	Fri Dec 27 Index No.	Tue Dec 24 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (180)	740.42	+2.0	9.14	6.50	14.00	35.47	726.06	726.63	717.84	719.22
2 Building Materials (23)	880.07	+2.0	7.92	7.07	17.06	46.51	862.60	857.23	840.08	985.66
3 Contracting, Construction (29)	862.25	+1.0	8.67	8.60	16.91	51.61	853.78	843.22	833.43	1136.06
4 Electricals (10)	2267.81	-1.0	10.63	6.53	11.97	99.46	2291.28	2302.92	2281.58	1882.35
5 Electronics (26)	1709.32	+1.3	10.75	5.03	11.79	67.27	1688.00	1687.02	1675.92	1518.10
6 Engineering-Aerospace (8)	328.95	+1.5	16.42	7.90	7.41	18.73	324.22	324.38	322.74	398.60
7 Engineering-General (43)	453.69	+1.2	10.57	5.53	11.66	18.34	448.48	449.74	447.61	365.48
8 Metals and Metal Forming (9)	306.72	+2.4	2.06	11.47	-	26.43	299.40	300.92	299.38	403.78
9 Motors (12)	290.14	+2.3	8.92	8.30	14.88	17.76	283.63	284.69	279.11	296.64
10 Other Industrial Materials (20)	1491.83	+3.1	8.02	5.49	14.83	60.10	1446.50	1455.44	1434.14	1243.92
21 CONSUMER GROUP (189)	1590.08	+2.9	7.29	3.46	16.89	41.89	1546.36	1537.74	1517.21	1228.68
22 Brewers and Distillers (23)	1937.69	+2.6	8.72	3.66	13.87	51.80	1887.97	1903.69	1887.09	1591.87
25 Food Manufacturing (19)	1237.52	+2.1	8.98	4.10	13.69	37.76	1212.05	1212.08	1199.64	1030.91
26 Food Retailing (17)	2411.78	+3.0	9.60	3.44	13.53	65.59	2341.06	2330.38	2309.85	2283.15
27 Health and Household (24)	4422.80	+4.3	4.64	2.18	24.73	72.76	4242.22	4147.49	4078.18	2560.62
29 Hotels and Leisure (24)	1226.54	+1.3	8.48	5.52	14.62	50.86	1210.89	1201.43	1183.64	1208.61
30 Media (23)	1392.95	+2.1	6.78	3.06	18.53	40.46	1364.36	1353.79	1329.39	0.00
31 Packaging, Paper & Printing (17)	710.26	+1.5	7.58	4.68	15.99	24.72	699.61	699.65	693.66	523.99
34 Stores (32)	973.65	+2.5	7.57	3.82	17.48	27.65	950.34	956.08	939.93	704.01
35 Textiles (10)	588.92	+1.7	7.87	5.27	16.22	22.28	578.94	577.73	572.75	412.77
40 OTHER GROUPS (112)	1191.65	+2.2	10.19	5.64	12.37	44.86	1166.20	1167.76	1151.48	999.65
41 Business Services (13)	1380.72	+2.4	7.31	4.82	17.37	46.93	1349.01	1349.97	1309.33	0.00
42 Chemicals (21)	1417.81	+5.0	7.14	5.18	17.32	54.46	1349.74	1347.43	1331.91	1035.98
43 Conglomerates (11)	1277.43	+2.8	11.80	8.41	10.29	79.46	1242.12	1271.14	1247.79	1258.48
44 Transport (14)	2320.26	+1.6	5.53	4.87	23.01	80.08	2283.77	2266.98	2230.25	1912.40
45 Electricity (16)	1208.39	+1.1	15.01	6.15	8.67	27.53	1195.50	1196.58	1187.19	0.00
46 Telephone Networks (4)	1398.14	+1.3	11.22	4.48	11.63	31.72	1379.96	1383.24	1367.71	1141.07
47 Water (10)	2183.42	+0.4	19.55	7.28	5.63	161.48	2175.58	2198.79	2194.10	2204.34
48 Miscellaneous (23)	1781.50	+2.5	5.62	5.57	24.49	75.10	1737.61	1712.16	1674.56	1557.84
49 INDUSTRIAL GROUP (481)	1248.83	+2.5	8.52	4.67	14.67	41.95	1218.31	1215.51	1199.31	1033.05
51 Oil & Gas (19)	2224.03	+3.3	11.51	6.30	11.50	104.27	2152.67	2156.40	2139.78	2296.62
59 500 SHARE INDEX (500)	1334.53	+2.6	8.87	4.86	14.23	46.98	1300.73	1298.33	1281.89	1137.75
61 FINANCIAL GROUP (90)	719.47	+2.4	-	6.49	-	34.52	702.47	708.34	699.53	710.09
62 Banks (9)	858.30	+2.8	4.60	6.19	43.03	50.97	834.79	844.72	834.21	757.98
65 Insurance (Life) (6)	1482.47	+3.3	-	5.76	-	63.68	1435.07	1436.75	1408.51	1269.68
66 Insurance (Composite) (7)	504.20	+4.2	-	6.66	-	32.94	484.11	487.97	478.45	604.02
67 Insurance (Brokers) (10)	980.77	+0.8	8.32	6.83	15.83	49.46	972.55	976.66	963.83	1028.50
68 Merchant Banks (7)	438.82	+0.2	-	4.88	-	16.06	438.09	439.81	438.86	355.41
69 Property (35)	791.06	+0.5	6.20	5.95	23.57	34.11	786.86	795.42	791.13	963.53
70 *Other Financial* (16)	228.71	+0.7	11.78	7.65	10.69	13.03	227.13	226.65	225.91	252.28
71 Investment Trusts (69)	1162.81	+2.3	-	3.75	-	33.27	1136.98	1129.11	1119.97	1002.09
99 ALL-SHARE INDEX (659)	1187.70	+2.6	-	5.02	-	43.48	1157.95	1157.09	1142.61	1032.25

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 30	Dec 27	Dec 24	Dec 23	Dec 20	Year ago
FT-SE 100 SHARE INDEX♣	2493.1	+73.1	2494.0	2449.9	2420.0	2418.7	2369.4	2345.4	2358.1	2143.5

FIXED INTEREST

PRICE INDICES	Tue Dec 31	Day's change %	Mon Dec 30	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	121.01	+0.06	120.94	1.77	12.43
2 5-15 years (27)	134.48	+0.09	134.36	2.47	13.36
3 Over 15 years (8)	142.97	+0.16	142.75	1.56	13.69
4 Irredeemables (6)	156.87	+0.18	156.58	1.28	14.67
5 All stocks (69)	132.50	+0.09	132.38	2.17	13.25
Index-Linked					
6 Up to 5 years (2)	166.70	-0.04	166.77	0.93	3.16
7 *Over 5 years (9)*	146.08	-0.24	146.43	0.74	4.64
8 All stocks (11)	147.81	-0.21	148.12	0.76	4.51
9 Debs & Loans (62)	114.05	+0.16	113.87	2.21	10.87

AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 31	Mon Dec 30	Year ago (approx.)
British Government				
1 Low	5 years	9.02	9.00	10.10
2 Coupons	15 years	9.50	9.51	10.31
3 (0%-7¾%)	20 years	9.50	9.51	10.32
4 Medium	5 years	9.95	9.94	11.14
5 Coupons	15 years	9.60	9.62	10.68
6 (8%-10¾%)	20 years	9.55	9.57	10.56
7 High	5 years	10.16	10.16	11.24
8 Coupons	15 years	9.68	9.69	10.87
9 (11%-)	20 years	9.60	9.62	10.75
10 Irredeemables	†	9.71	9.72	10.48
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.15	4.13	4.18
12 Inflation rate 5%	Over 5 yrs.	4.45	4.43	4.18
13 *Inflation rate 10%*	*Up to 5 yrs.*	3.51	3.48	2.86
14 Inflation rate 10%	Over 5 yrs.	4.27	4.24	4.00
15 Debs &	5 years	11.41	11.41	12.62
16 Loans	15 years	11.15	11.17	12.38
17	25 years	10.93	10.95	12.15

♣Opening index 2449.9; 9 am 2462.1; 10 am 2479.9; 11 am 2472.0; Noon 2487.1; 1 pm 2; pm 2.30; pm 3; pm 4.10; pm (a) 12.21pm; (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS ON TUESDAY

	Rises	Falls	Same
British Funds	22	14	46
Other Fixed Interest	0	5	14
Commercial, Industrial	434	58	1,000
Financial & Property	254	27	498
Oil & Gas	23	9	59
Plantations	2	0	8
Mines	23	18	111
Others	48	6	100
Totals	806	137	1,836

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	103	101	Aberforth Sm. Co's. C Shs.	103		-	-	-	-
-	F.P.	-	61	41	BTR Warrants 1995/96	55	+6	-	-	-	-
-	F.P.	-	145	90	Baillie Gifford Jap Wrrts	110	+5	-	-	-	-
-	F.P.	-	405	405	Bristol Water Non-Vtg £1	405		-	-	-	-
*335	110	-	129½	120¼	British Telecom New	122½	+1	13.3	2.6	9.1	10.1
140	F.P.	-	147	140	Burn Stewart Dist.	142	-1	R5.0	2.3	4.7	11.0
-	F.P.	-	3	2	Butte Mining Wrrts.	2		-	-	-	-
-	F.P.	-	110	75	Capital Industries 1p	75		-	-	-	-
100	F.P.	-	96	88	Drayton Korea Tst.	88		-	-	-	-
-	F.P.	-	31	20	Do. Warrants	20		-	-	-	-
-	F.P.	-	320	138	Eurotunnel '91 Wrrts.	225	+2	-	-	-	-
100	F.P.	-	101½	86	Fidelity Euro Values	88½	+2	-	-	-	-
-	F.P.	-	23	19	Do. Warrants	20		-	-	-	-
-	F.P.	-	40	27	Fleming Japanese Wrrts.	32	+3	-	-	-	-
§235	F.P.	-	288	256	Frost Group	288	+3	12.0	0.9	0.9	12.3
-	F.P.	-	31½	14	Hansom New Warrants	21	+1	-	-	-	-
120	F.P.	-	131	121	Harrington Kilbride	127		N4.5	1.8	4.7	12.9
-	F.P.	-	25	24	Hong Kong Zero Div Pf	25		-	-	-	-
195	F.P.	-	216	190	JIB Group 10p	191		N7.5	1.8	5.2	14.2
£10¼	F.P.	-	£10¾	£10¾	Latin Am Inc & Appr. 1c	£10¾		-	-	-	-
-	F.P.	-	4	2½	Lowe (R) Wrrnts	3		-	-	-	-
§88	F.P.	-	22	17	M & G Income Cap. 1p	18	+½	-	-	-	-
-	F.P.	-	66	60½	Do. Geared Units	62½	+½	M4.91	-	10.5	-
§44	F.P.	-	45	43½	Do. Income 1p	44½		M4.91	-	14.7	-
100	F.P.	-	102	96	Do. Package Units	97	+1	M4.91	-	6.6	-
-	F.P.	-	37½	35¼	Do. Zero Div Pf	37		-	-	-	-
-	F.P.	-	½	¼	MultiYield Warrants	¼		-	-	-	-
-	F.P.	-	553	509	Schroder Korea Fund 1c	526		-	-	-	-
-	F.P.	-	80	26½	Do. Warrants	53½		-	-	-	-
60	F.P.	-	61	58	#Scofield Resources	59		-	-	-	-
50	F.P.	-	54	33	#Simpson of Cornhill 5p	33		-	-	-	10.2
100	F.P.	-	103	100½	St. Davids Zero Div Pf	103		-	-	-	-
-	F.P.	-	3½	1½	Wills Group Wrrnts.	3½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	103¼p	100p	Barings 9¾pc Non-Cum. Prf. £1	103¼p	
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Camborne Inds. 10½pc Rd. Deb. 2001	105½	
100p	F.P.	-	103p	100p	Fidelity Euro. Values Equity Ln 2001	100p	
105	F.P.	-	105	98	Greencore 7.5% Cnv Un Ln Stk 1995	100	
310p	Nil	-	91pm	37pm	Inchcape Non-Int. Bearing Cv Un Ln	[illegible]	+6
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	102¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
1	Nil	-	2pm	½pm	Chemex 5p	½pm	
34	Nil	-	5pm	3pm	Cluff Resources	3pm	-1
12½	Nil	-	5½pm	2½pm	Oceonics	4pm	
77½	Nil	-	1½pm	1½pm	River & Merc. Cap.	1½pm	
105½	Nil	-	1½pm	1½pm	Do. Inc.	1½pm	
113½	Nil	-	4¼pm	3pm	Do. Stpd. Pf	3½pm	
17½	Nil	-	1½pm	1½pm	Do. Warrants	1½pm	
125	Nil	-	¼pm	¼pm	Tottenham Hotspur	¼pm	
148	Nil	-	22pm	10pm	Unichem 10p	19pm	-3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings: Dec. 16
- Last Dealings: Jan. 3
- Last Declarations: Mar. 19
- For settlement: Mar. 30

3-month call rate indications are shown on this page.
Calls in: Burton, Dumus, Smith & Nephew, Tottenham H. and T & N.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Allied Lyons (*618)	550	67½	86½	92½	1½	6	13½
	600	24	50½	59½	7	18	30
	650	4	25	36	35½	45½	57½
ASDA (*34)	30	4	8½	11	3	5½	6
[illegible]							

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
BAA (*530)	500	39	56	61½	6	13	17½
	550	11	28½	36	28	35	39½
BAT Inds (*628)	600	37½	47½	50	8½	18	26½
	650	10½	24½	29½	29½	40	50
[illegible]							
Dixons (*204)	200	17	22	24½	9½	15½	17
	220	6	12	15½	19½	23½	24½
Eurotunnel (*410)	390	41	58	70	16	23	25
	420	26	41½	-	29	37	-
Glaxo (*851)	850	51½	83½	102	43½	55½	65
	900	32	62½	-	73½	81½	-
Hawker Sidd. (*734)	700	43½	60½	-	4	8½	-
	750	13	27½	-	26½	30½	-

Option		CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
Hillsdown (*166)	160	14½	19	22	7	12½	13½
	177	7	-	-	17	-	-
Lonrho (*155)	140	20	24½	26	11	12½	13½
	160	9½	15	17	21	24	29
[illegible]							

Option		CALLS			PUTS		
Utd. Biscuits (*391)	390	10½	21½	29	8	17	24½
	420	3	9	15½	30	39½	42½
Unilever (*899)	850	53½	76½	88½	3	14	23
	900	17½	37½	56½	20½	35½	37½
Ultramar (*257)	240	22	30½	-	2½	11½	-
	260	9½	15½	22½	10½	17½	-

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
Brit Aero (*318)	300	28½	30½	34½	4½	19½	22
	330	10½	15½	21½	19½	37½	40½

FT-SE INDEX PUTS								
Dec	½	½	½	½	½	½	15	65
Jan	4	7	8½	11½	18½	26½	45½	68
Feb	10½	12	16½	23½	31	46	64	88½
Mar	15½	20½	25½	34½	45½	59	77½	102
Jun †	41	-	55	-	67½	-	97½	-

December 31 Total Contracts 21,457
Calls 12,723 Puts 8,734
FT-SE Index Calls 6,860 Puts 4,262
Euro FT-SE Calls 2,169 Puts 1,579
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p		p		p		p		p
Allied-Lyons	50	Charter Cons.	42	Ladbroke	21	Sears	8	■ OILS	
Amstrad	4	Comm Union	40	Legal & Gen	33	SmKl Bchm A	60	Aviva Pet	2
Astec (BSR)	5	Courtaulds	38	Lex Service	18	TI	39	BP	28
BAT Inds	53	Eurotunnel	35	Lloyds Bank	30	TSB	11	Burmah Castrol	44
BOC	48	FKI	5	*Lonrho*	19	*Tesco*	21	Conroy Pet	7
BTR	33	FNFC	6	Lucas Inds	12	Thorn EMI	65	Gaelic Res	1
Barclays	34	Forte	21	Marks Spencer	23	T & N	14	Premier Cons	4
Blue Circle	20	GKN	26	Midland Bank	18	Unilever	60	Shell	40
Boots	33	Gen Accident	40	NatWest Bank	26	Vickers	16	Tuskar Res	1
Bowater	55	GEC	16	P & O Dfd	41	Wellcome	70	Ultramar	20
Brit Aerospace	30	Glaxo	75	Racal Elect	6	■ PROPERTY		■ MINES	
British Steel	10	Grand Met	67	RHM	21	Brit Land	24	RTZ	44
Brit Telecom	27	GRE	11	Rank Org	52	Land Sec.	41		
Cadburys	35	Hanson	16	Ratners	9	MEPC	38		
		ICI	65	Reed Intl	38	Mountleigh	3		

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LONDON STOCK EXCHANGE

FT-SE records its best gain of 1991

By Terry Byland, UK Stock Market Editor

THE OLD year closed with the FT-SE Index achieving its best daily gain for 1991 as the London stock market responded enthusiastically to Wall Street's overnight jump to fresh record levels. Also helping equities was the firm rejection by the UK chancellor of the exchequer of sterling devaluation suggestions.

The Footsie advanced 73.1 to 2,493.1, bringing the gain on the year to around 16.3 per cent. Wall Street's renewed surge caught London unawares on Tuesday and, with the institutions mostly out of the market ahead of the year-end, share prices were left to the marketmakers. They, in turn, struggled with technical pressures imposed by the expiry of the FT-SE December futures and options contracts.

Account Dealing Dates		
First Dealings:		
Dec 9	Dec 30	Jan 13
Option Declarations:		
Dec 23	Jan 9	Jan 23
Last Dealings:		
Dec 27	Jan 10	Jan 24
Account Day:		
Jan 6	Jan 20	Feb 3

*New-time dealings may take place from 8.30 am two business days earlier.

The futures expiry, between 10.10 and 10.30am, dominated the half-day trading session. Of total Seaq-reported trading volume of 318.1m shares, around 80m changed hands in the two hours before the futures expiry. In Monday's full-day session 294.8m were traded.

At Barclays de Zoete Wedd, Mr Richard Kersley commented that the London market was still regarded as "good value", if only the domestic economy would show some signs of improvement. Unfortunately, on Tuesday, while the equity market was racing ahead, the Confederation of British Industry sharply reduced its 1992 growth forecast for the UK.

A steadier performance by sterling following the Financial Times interview with Mr Norman Lamont, the UK chancellor, helped soothe some immediate worries. But the possibility that UK base rates will be forced to follow the ERM trend upwards, rather than the US and Japanese trend downwards, continued to unsettle financial markets.

Tuesday's strongest gains came from the US-orientated stocks, which also benefited from last-minute window dressing by fund managers putting the best gloss on portfolios ahead of meetings with their trustees.

Glaxo, Wellcome, Rothmans International, Reuters and Reckitt & Colman all recorded substantial rises, but with ICI standing out with a gain of 6.7 per cent. There were very few exceptions to the general advance, although some insurance issues remained unsettled by worries over their mortgage indemnity problems.

More surprisingly, many interest rate-related and consumer stocks moved ahead in spite of the continued concern over sterling and the outlook for base rates. Muted optimism regarding the Christmas sales season helped Marks and Spencer, Kingfisher and Great Universal Stores, while the leading brewers also gained ground.

After the futures expiry, equities settled down for a while. However, the excitement soon resumed as such few traders as were in the City took the view that Wall Street had further to run and that it would be fatal to be left out of the Christmas rally in London. Since the beginning of Christmas week the Footsie has risen by 135 points or 5.7 per cent, largely in response to Wall Street's bullish reaction to the cut in the Federal Reserve's discount rate.

Traders must now wait to see whether the investment fund managers, who have been on the sidelines for the past fortnight, will drive prices higher in the new year or take the opportunity to realise profits once the annual portfolio valuation is completed.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
[illegible]															
British Steel	2,100	68½	+2½	ICI	1,800	1210	+76	Rothmans	290	1109	+43	Utd. Newspapers	278	323	+5
British Telecom	5,200	339½	+2½	Inchcape	494	388	+8	Ryl Bk Scotland	743	180	+3	Vodafone	1,400	377	+17
BT Telecom New	5,200	122½	+1	Kingfisher	858	482	+15	Royal Insurance	4,800	240	+5	Warburg (SG)	54	500	-1
Bunzl	112	82	+2	Ladbroke	2,700	232	+2	Saatchi	1,000	12	+¼	Wellcome	1,500	1101	+35
Burmah Castrol	246	478	+4	Land Securities	370	448	+3	Sainsbury	1,400	377	+12	Welsh Water	134	340	+8
Burton	95	38	+1½	Laporte	358	620	+35	Scottish & New.	552	410	+8	Wessex Water	83	370	+1
Cable & Wire.	1,200	591	+7	Legal & General	337	374	+11	Scot. Hydro-Elect.	222	105	+1	Whitbread 'A'	700	427	+18
Cadbury Schweppes	710	491	+13	Lloyds Abbey	284	357	+3	Scottish Power	956	103	+1	Williams Hldgs.	985	291	+2
Calor Group	294	218		Lloyds Bank	1,450	392	+12	Sears	4,400	94½	+4½	Willis Corroon	786	248	+2
Carlton Comm.	22	466	+5	LASMO	2,200	323	+2	Sedgwick	121	211	+4	Wimpey	1,300	122	+4
Coats Viyella	388	185	+4	London Elect.	943	247	+3	[illegible]	15	271	+3	Yorkshire Elect.	629	314	+2
Comm. Union	728	482	+18	Lonrho	1,200	155	+4	Severn Trent Water	495	311	+1	Yorkshire Water	10	355	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 12.30pm. Trades of one million or more are rounded down.

BICC lags the market

BY FAR the worst individual performance of the Footsie constituents on New Year's Eve came from BICC, the heavy electricals-to-construction group.

An initial rise to 314p for the stock was quickly eroded as a single trade of 958,000 shares at 312p triggered a widespread mark-down by marketmakers. The trade, however, was said by dealers to have represented the completion of a bed and breakfast, or tax-related, deal, one of many that were carried out first thing on Tuesday morning.

The deal accounted for much of the total turnover in BICC stock which was finally 1.2m shares. Another reason for the stock's weakness was its impending departure from the FT-SE 100 index as from today. The shares closed 9 off on balance at 303p.

A number of analysts, however, take a bullish view of BICC's prospects. In a recent review of the electricals sector, Mr Jim Ross of Hoare Govett said the shares are "oversold" after falling 28 per cent in the past three months. The Hoare analyst added that BICC "is well placed to benefit from an expected improvement in the cables market, and worries about the financial position have been overplayed".

Drug issues responded to a euphoria of buying interest triggered mostly by the steep gains on Wall Street. Wellcome, still buoyed by hopes that its new treatment for Aids will prove successful, were driven up 35 more to 1101p on keen turnover of 1.5m shares.

Fisons, responding to the company's defiance in the face of US regulatory criticism, forged ahead 15 to 326p for a two-day gain of 33.

Glaxo, one of the equity market's best performers over the past year, shot up 40 to 853p amid a flurry of Continental and US buying interest.

SmithKline Beecham, heavily favoured by international pharmaceutical analysts over the past few months, jumped 43 to 896p.

US funds were said to have been big buyers of ICI shares, which leapt 76 to 1210p on good turnover of 1.8m. Laporte, included in the Footsie index as from today, moved ahead 35 to 620p.

The market delivered its own verdict on the outcome of the Christmas selling period in pushing most of the top quality food retailers higher, along with many of the general high street retailers. But it reserved judgment on Ratners, the troubled jewellery chain, whose shares came under more selling pressure and finished 3 lower at 27p.

Of the leading retailers, Marks and Spencer drew strong support, closing 10½ ahead at 278½p, while Kingfisher added 15 at 482p and Dixons 8 at 205p.

J. Sainsbury raced up 12 to 377p and Tesco 10 to 227p, while Asda put on 2½ to 34½p.

Tottenham Hotspur returned to the market and touched 105p before closing at 100p, ex-rights, with the new nil-paid shares quoted at ¼p premium.

The sharp rises in the market dragged up an oil sector still fretting about its recent decline and the poor outlook for crude oil prices. On Tuesday, Brent crude for February delivery came under renewed downward pressure, losing a further 20 cents to around $17.60 a barrel.

However, stock shortages and the prospect of US investors pushing Wall Street even higher when it opened for Tuesday trading led London dealers to hoist share prices of the leading oils.

Shell Transport rallied 17 to 498p on relatively good turnover of 3.5m shares, while BP put on 14 to 293p on 6m traded.

British Gas, buffeted in recent weeks by worries about the regulatory regime, moved up 6 to 265p with 6.8m shares changing hands.

RTZ, the world's biggest mining group, ran up 13 to 470p, shrugging off the effect of yet another profits downgrade. The latest reduction in earnings projections was reported to have come from S.G. Warburg Securities. Turnover in RTZ was a low 800,000 shares.

The power generators, upset recently by regulatory concerns, attracted a flurry of institutional demand which left National Power 5 higher at 145p and PowerGen 4½ better at 155½p.

Bank shares shrugged aside recent worries concerning the possibility of exceptionally heavy provisons against bad debts, with dealers taking the view that most of the bad news is already in the share prices.

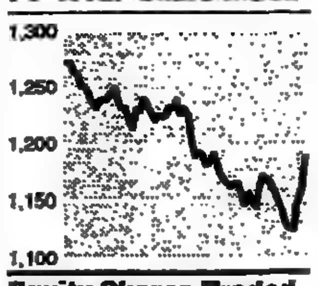
Abbey National, virtually bad-debt free compared with the high street banks, rose 12 to 295p, but TSB, still burdened by bad debt worries, could only manage a gain of 2 at 119p.

Composite insurers were pushed sharply higher but for the notable exception of Guardian Royal Exchange, which just managed to hold steady at 111p.

MARKET REPORTER:
Steve Thompson

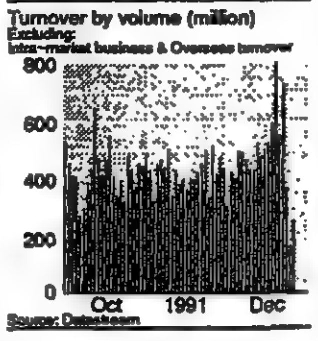
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 16.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (33).
BRITISH FUNDS (1) Tr. 2pc IL 1992, BREWERS & DISTILLERS (3) Grand Met., Greenall 5.95pc Prf., Hox (J), CHEMICALS (1) Allied Colloids, CONTRACTING & CONSTRUCTION (1) Wool (G), ELECTRONICS (2) ACT, Mussyers, ENGINEERING GENERAL (1) Hall, FOOD MANUFACTURING (1) Unilever, HEALTH & HOUSEHOLD (3) Amersham Intl., Meyborn, Smith & Nephew, SmithKline Beecham A, Do. Equity Units, HOTELS & LEISURE (1) Euro Disney, INSURANCE LIFE (1) Irish Life, INVESTMENT TRUSTS (2) Scottish Natl. Trust. Pvt., Second Market, MEDIA (3) Daily Mail A, Reed Intl., Reuters, MISCELLANEOUS (1) CRT, PACKAGING, PAPER & PRINTING (1) De La Rue, PROPERTY (1) Borland, STORES (1) Body Shop Intl., TEXTILES (2) British Mohair, Compact Intl., TRANSPORT (2) BAA, British Airways.
NEW LOWS (18).
BRITISH FUNDS (1) Tr. 2½pc IL 2024, BUILDING MATERIALS (1) Abrighem, CONGLOMERATES (1) Melville, ENGINEERING GENERAL (1) Jones & Shipman, FOOD MANUFACTURING (1) Carr's Milling, INVESTMENT TRUSTS (1) Murray Split Capital Units, MEDIA (1) Thames TV, OTHER FINANCIAL (3) Fidelity Japan OTC, Do. Warrants, First Natl. Finance, OTHER INDUSTRIAL MATERIALS (1) Whitecroft, PROPERTY (1) Markheath, STORES (1) Wilding Office Equipment, TEXTILES (2) Lister, Vivat, MINES (2) Buffels, East Daggs, Hartebeest.

FINANCIAL TIMES STOCK INDICES

	Dec 31	Dec 30	Dec 27	Dec 24	Dec 23	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.26	86.26	86.56	86.46	86.54	82.11	87.84 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.61	96.72	96.80	96.71	95.91	90.82	97.49 (16/12)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1891.6	1836.6	1841.8	1813.0	1781.4	1685.2	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	140.1	142.6	143.6	143.9	141.9	150.0	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2493.1	2420.0	2418.7	2384.4	2345.4	2160.4	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1129.81†	1107.46	1103.91	1089.17†	1071.77	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
■Ord. Div. Yield	4.84	5.00	5.00	5.08	5.16	6.70				
●Earning Yld %(full)	7.28	7.51	7.51	7.63	7.74	11.89				
●P/E Ratio(Net)(*)	17.25	16.71	16.72	16.45	16.21	10.18				
SEAQ Bargns 12.45pm	16,673	22,819	9,430	11,101	22,215	31,816				
Equity Turnover(£m)†	-	527.54	294.71	507.80	926.35	-				
Equity Bargains†	-	22,132	9,026	11,622	23,401	-				
Shares Traded (ml)†	-	255.2	179.9	377.8	738.8	-				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.28. † Partial.

Ordinary Share Index, Hourly changes — Day's High 1892.0 — Day's Low 1859.0

Open	8.35	9 am	9.30	10 am	11 am	12 pm	12.30	
1859.0	1862.0	1869.7	1880.5	1882.3	1872.2	1885.8	1891.6	-

FT-SE 100, Hourly changes — Day's High 2494.0 — Day's Low 2449.9

Open	8.35	9 am	9.30	10 am	11 am	12 pm	12.30	
2449.9	2451.6	2462.1	2476.0	2479.9	2472.0	2487.1	2493.1	-

FT-SE Eurotrack 200, Hourly changes — Day's High 1131.63 — Day's Low 1124.16

Open	10 am	10.30	11 am	11.30	12 pm	12.30
1125.99	1127.10	1125.87	1125.56	1127.20	1127.54	1129.81

GILT EDGED ACTIVITY

Indices*	Dec 30	Dec 27
Gilt Edged Bargains	43.2	17.6
5-Day average	43.4	49.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

EQUITY FUTURES AND OPTIONS TRADING

ON NEW YEAR'S Eve the December stock index future and the Footsie traded options expired with the predictable hectic activity, as traders moved between derivatives and the underlying stock market.

The operation, however, was turned up to full heat by London's response to the unexpected fresh surge on Wall Street to a new peak on the Dow, as well as by the calmer tone of sterling following Mr Norman Lamont's Christmas interview in the Financial Times. Futures traders said Wall Street had provided the chief impetus, while sterling, and the consequent outlook for UK base rates, remained potentially unsettling factors.

The futures sector quietened down after the December expiry was concluded, but the March contract later provided a strong lead for underlying equities by moving to a premium of around 60 points, against an estimated 30-point fair value premium – the premium which takes account of financing and dividend flows.

In traded options, the FT-SE contract was similarly active and later trading was featured by significant buying of calls on January option series. A large buyer for the January 2,450 and 2,350 was identified in the market.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 High	1991 Low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 High	1991 Low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

Index-Linked	Notes	Price £	+ or -	1991 High	1991 Low	Yield (1)	Yield (2)
Tress. 2pc '94	(102.9)	122⅝	—	123¼	115⅜	2.87	4.07
2pc '96	(67.9)	176⅝	-⅛	177⅝	168⅛	3.82	4.19
2½pc '01	(78.3)	140	-⅛	146⅛	137⅛	4.12	4.43
2½pc '03	(78.8)	138⅝	-⅛	141½	133	4.18	4.45
2pc '06	(69.5)	140⅛	-⅛	143⅛	135	4.28	4.46
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991 High	1991 Low	Yield Int.	Yield Red.
[illegible]							

[illegible]			
[illegible]			

[illegible]			
[illegible]			

APPOINTMENTS

Gas promotions

BRITISH GAS has appointed Douglas Ebdon to the new position of director of strategy (global gas).

The post is part of a management rearrangement in the global gas unit, one of three main divisions created three years ago at British Gas.

Ebdon, who is 46, was previously operations director in British Gas Scotland. He joined the company in 1974 and held a number of posts, including chief accountant in British Gas South Western, with two years as director of finance and three years as director of corporate planning and management services at British Gas Southern.

From 1988 to 1990 he was a member of the board of Bow Valley Industries, the Alberta oil and gas producer which is 54 per cent-owned by British Gas.

Ebdon is married with three children and describes himself as a keen golfer and a reluctant gardener.

Bill Small, formerly strategic planning manager for Esso, has been appointed controller of gas purchasing in the gas supplies department at British Gas, and John Dumbrell, former North Thames director of services and supplies, is appointed md of British Gas Deutschland gmbh.

Healthy move

David Cavers, business manager of NORWICH UNION HEALTHCARE since it was formed last year, will become managing director next April. He succeeds Patrick Smith, who moves to assistant general manager responsible for personal insurances at Norwich Union.

The arrival of Norwich Union and other commercial insurers in a market currently dominated by provident associations is among factors making private health insurance increasingly competitive.

Others include rising healthcare costs and the effects of the recession on the growth of the market. Cavers was chief commercial executive at Private Patients Plan – one of the providents – before joining Norwich Union.

Civil service careers

Top level changes at three Whitehall departments will result from the retirement next Easter of Sir Michael Quinlan, permanent secretary at the Defence Ministry. Sir Michael will be succeeded by Sir Christopher France, 57, permanent secretary at the Department of Health; and Sir Christopher's place will be filled by Graham Hart, 51, at present at the Scottish Office.

Meanwhile, two other departments see senior level moves. Edward Osmotherly, a deputy secretary at the Department of Transport, is to become the department's principal establishment and finance officer. He will be replaced by Nick Montagu, 47, deputy secretary at the Department of Social Security in charge of planning.

B-M's international reshuffle

Larry Snoddon, president of BURSON-MARSTELLER's European operations, is returning to New York to become chief executive of the world's second biggest public relations firm.

Snoddon's promotion is part of a top management reshuffle in which the agency is also creating two new positions; Thomas Bell and Thomas Mosser both become chief operating officers. Bell, a relatively recent recruit to B-M, remains in Washington, but Mosser, president of B-M Americas, will be based in London. James Lindheim will take over as chairman of B-M's European operations overseeing 23 offices in 15 countries and a staff of 750.

B-M seems to have fared better than Shandwick and Hill & Knowlton, its two biggest rivals, in the current economic downturn. Under Snoddon, B-M Europe has tripled its income in four years and the group's worldwide revenues are expected to rise by about 5 per cent, to $220m this year, with a similar sort of growth budgeted for next year.

B-M, which employs around 2,000 staff worldwide, provides around a third of the profits of the privately-owned Young & Rubicam group. The 46-year-old Snoddon believes that its recent success may partly reflect the fact that it does not face the same sort of short-term financial pressures as a public company.

■ Peter Haigh-Lumby (above left) has moved from Speechly Bircham to be director of finance and administration at GERALD EVE.
■ Ken Draper (above right) has been elected to succeed William Jack as chairman of BUILDING DESIGN PARTNERSHIP. He has been with BDP since 1970 and has been involved in the City headquarters of JP Morgan and on plans to modernise the Royal Albert Hall.
■ Hugh Stallard is appointed to the board of CONNELL WILSON.
■ Geoffrey Smith, md of Nathaniel Lichfield & Partners, has joined the board of AUKETT ASSOCIATES; he replaces Nathaniel Lichfield, who continues as chairman of Nathaniel Lichfield & Partners for another year. Robert Warner also becomes a director of Aukett, replacing Lewis Ross who has resigned.
■ David Riddle is director of RM DESIGN ASSOCIATES, part of the WR Royle group; he has moved from Addison Design Consultants.

* * *

■ FINERS has appointed Melvyn Orton, Michael Pinner, Christopher Holland, John d'Ardenne and John Hewitt as partners.
■ David Sherman, a New York lawyer, who has practised in Asia and Europe, and at one time with Boodle Hatfield in London, has been appointed head of international developments at DIBB LUPTON BROOMHEAD AND PRIOR.
■ Mark Pythian-Adams, who has spent more than 20 years in merchant banking, has joined BISCHOFF & CO as a consultant.
■ Richard Elphick has become a partner of LAWRENCE GRAHAM.
■ Catriona Smith, Ian Ferguson, Judith Gill, Mark Mansell, Mark Gearing, Tim House and Colleen Keck gave become partners of ALLEN & OVERY.
■ Peter Scrafton has become a partner of STEPHENSON HARWOOD.

* * *

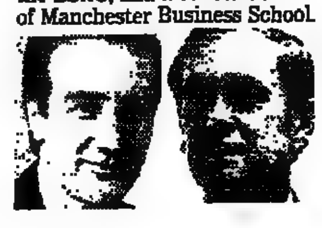
■ David Newling-Ward has joined the board of BERKELEY SCOTT.
■ Cynthia Balogh, who set up the central and eastern European group for PA Consulting, has joined HEIDRICK & STRUGGLES.
■ Donald Saunders has joined CRIPPS SEARS & PARTNERS from running his own consultancy. He had previously worked for Shell and the Williams Press group.
■ John Hitch, formerly md of The Monotype Corporation and Plessey Hydraulic International, has become general manager for London and the south east of CHUSID LANDER.
■ Nicola Saunders, formerly a director of Ericsson (UK) has become a partner of LEWIS BRIGGS INTERNATIONAL.
■ Mary Gould is appointed a director of GROSVENOR STEWART.

* * *

■ Nigel Taverner is the new md of OPINION RESEARCH CORPORATION's London-based European office. He has moved from Coopers & Lybrand Deloitte.
■ Ron White has been appointed chairman and general manager of CMG (UK).
■ David Hookway, md of the Rendel division of HIGH-POINT, has been appointed chairman of Rendel Science & Environment.
■ Terry Joint, formerly divisional director sales and marketing at Hoskyns Insight, has become sales and marketing director of THIRD WAVE NETWORK. Anthony Surtees has become a non-executive director of Third Wave Consulting.

* * *

■ James Allen has moved from the US Department of Commerce to become director of consulting to Bain-Link, the Moscow-based joint venture.
■KPMG Management Consulting has appointed Leslie Zurick partner in charge of the international markets group and Sharon Studer as marketing partner; she moves from Control Data.
■ Joe Ryan (below left) is appointed partner in charge of COOPERS & LYBRAND DELOITTE's growing business division.
■ Sir Douglas Hague (below right) has been appointed non-executive chairman of DOCTUS Consulting Europe. Sir Douglas is an associate fellow at Templeton College, Oxford, a former chairman of the ESRC, and a co-founder of Manchester Business School.



LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	35¼xd	—	38⅛	20⅞	15,416	1.5
♥Allegheny & W	233p	—	385p	218p	121.1	7.2
Amdahl	818pxd	—	10⅛	667p	989.1	0.7
Amer Cyanamid	33⅞	—	42⅛	25¾	3,112	2.5
Amer Express	11¼xd	+⅛	17⅞	9	5,292	5.0
Amer T & T	20xd	+⅛	24½	15¼	27,348	3.5
Ameritech	35⅝	—	38⅞	32½	14,722	5.7
BankAmerica	20½xd	—	25	12	4,375	3.4
Bankers NY	34xd	—⅛	38	20	2,838	7.9
Bell Atlantic	25xd	—	30½	24¼	9,831	5.7
BellSouth	26⅞	—	31¼	25	13,835	5.8
♥Bethlehem Steel	7½xd	+⅛	11⅛	6	571.7	3.0
Bowater	1185p	—	1838p	1042p	425.7	5.7
CPC	48xd	+½	54	37	3,629	2.3
California Engy	746p	—	938p	420p	135.8	—
Campbell Soup h	23xc	+1	25	14⅛	6,820	1.7
Chase Manhattan	9⅝	—	12¼	5	1,308	7.1
Chrysler	6⅛xd	+⅛	9	5	1,791	5.4
Citicorp	5xd	—	10⅞	4⅝	1,867	—
Colgate-Palm	26⅛xd	+½	26⅝	21	3,799	2.3
Cont'l Bank	519p	—	928p	438p	324.5	6.5
Dana	14xd	—	21⅝	13⅝	598.6	6.2
Data General	752p	—	1282p	203p	218.5	—
Dial	24xd	—	25⅝	12⅞	975.2	3.2
Dun & Brad	29	—	28⅝	20¾	5,175	4.2
Eaton	32½	—	40	24¼	1,186	3.8
Echlin	7⅝xd	+½	8½	5½	425.8	5.2
FPL	19⅝xd	—	20⅛	14	3,326	6.9
Fluor	23xd	—	30	17	1,858	1.0
Ford Motor	15xd	—	23¼	13	7,181	3.7
Gen Elect	41xd	+1½	46	28	35,539	2.8
♥General Host	366p	—	568p	270p	—	5.6

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1990.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1989-90.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at [illegible] cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
Gilts & Fixed Int	6	115.7	115.7	122.0		[illegible]
High Inc Equity	6	122.5	125.4	133.4	+2.0	[illegible]
Worldwide Bond	6	215.1	215.1	[illegible]	[illegible]	[illegible]
Capital Growth						
American Growth	6	200.2	202.3	214.2	[illegible]	1.04
Asian Pacific	6	116.6	119.1	126.6	+2.6	1.34
Assets & Earnings	6	174.4	176.2	189.5	[illegible]	[illegible]
Capital Reserve Acc	0	111.2	111.2	111.2	[illegible]	[illegible]
Capital Reserve Inc	0	87.95	87.95	87.95	[illegible]	[illegible]
Commodity & Energy	6	65.79	67.36	71.57	+1.34	1.90
1992 Enterprise	6	62.95	64.36	68.46	[illegible]	[illegible]
Euro Capital Acc	6	84.37	85.63	91.09	[illegible]	[illegible]
Euro Capital Inc	6	[illegible]	[illegible]	87.01	+1.57	[illegible]
General	6	162.9	166.0	176.5	[illegible]	[illegible]
Japan	6	90.33	91.35	97.18	+1.18	-
[illegible]	6	[illegible]	88.15	93.77	[illegible]	2.73
UK Growth Acc	6	167.7	170.0	180.8	[illegible]	[illegible]
UK Growth Dist	6	103.4	108.1	114.9	[illegible]	[illegible]
UK Emerging Cos	6	76.51	77.83	82.79	[illegible]	-
Income & Growth	6	282.1	287.5	305.8	[illegible]	[illegible]
Ethical	6	51.86	53.22	56.61	+0.24	2.76
International	6	59.48	60.30	64.14	+0.70	1.37
Dividend & Growth	6	45.65	46.77	49.75	[illegible]	[illegible]
Global Gwth & Inc	6	52.62	52.82	56.19	[illegible]	[illegible]

Abertorth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733
UK Small Cos [illegible]

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible] FT Managed Funds Service.

[illegible] Regulatory Organisation, Centre Point, [illegible] New Oxford Street, London [illegible] Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000 Calls charged at 36p/minute cheap rate and 48p/minute at all other times To obtain your free Unit Trust Code Booklet call 071-925-2128

Funds In Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Prolific Asset Management

J. Rothschild Fund Managers Ltd

Societe Generale Touche Remnant UT Mngt

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

For Touche Rem see Societe Gen Touche Rem

INSURANCES

Abbey Life Assurance Co Ltd

Aetna Life Assurance Co Ltd

AIB Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

FS Assurance

GT Unit Managers Ltd

General Accident

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Legal & General—Contd.

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	106.4	112.0	----	-
Pension Managed Fd	105.1	110.6	----	-
Life Deposit Fd	111.6	117.5	----	-
Pension Deposit Fd	118.7	124.9	----	-

For National Fin see Target Life

	Bid Price	Offer Price	+ or -	Yield Gross
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	166.1	174.9	----	-
UK Equity	169.5	178.5	----	-
Overseas Equity	129.2	136.0	----	-
Fixed Interest	162.7	171.3	----	-
Property	128.9	135.7	----	-
Index Linked	150.6	158.6	----	-
Deposit	165.6	174.4	----	-
With Profits (B)	135.5	142.7	----	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	345.5	363.7	+6.0	-
UK Equity	431.9	454.7	+10.5	-
Overseas Eq	329.9	347.3	+4.0	-
Americas	286.2	301.3	+6.5	-
Far East	342.5	360.6	+2.6	-
Property	194.0	204.3	+0.5	-
Fixed Int	272.3	286.7	+0.1	-
Indexed Gilt	154.6	165.1	-0.2	-
Deposit	189.4	199.4	----	-
With Profits	106.2	111.8	+0.1	-
Pension Fund (Accum Units)				
Managed	500.1	526.5	+8.9	-
UK Equity	584.1	614.9	+13.6	-
Overseas Eq	562.3	591.9	+8.7	-
Americas	371.4	391.0	+9.5	-
Far East	565.0	594.8	+6.0	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pressures on sterling ease

THE PRESSURES on sterling eased slightly on Tuesday after Mr Norman Lamont, the chancellor of the exchequer, warned that there would be no devaluation of the pound in the Exchange Rate Mechanism.

With little business being transacted in the currency markets ahead of the new year holiday, dealers said it had taken only a small amount of buying interest to boost the pound.

In particular, traders welcomed Mr Lamont's strong rejection of calls from within his own party for a realignment of the ERM currencies.

Further support for sterling came from the Confederation of British Industry. Mr Brian Corby, the CBI president, said it would be "absolutely foolish" to contemplate a devaluation. He added that a devaluation could lead to higher interest rates.

As trading in the London market drew to a close, sterling was quoted at DM2.8375, unchanged from Monday's close; it was higher at \$1.8710 from \$1.8670.

In spite of sterling's modest recovery, it still remained firmly at the bottom of the ERM. The Spanish peseta – the strongest currency in the ERM grid – was 6.2 per cent above the pound, just below the level at which the Bank of England would be forced to defend the UK currency.

Many analysts still believe the pressure on sterling will eventually force the government to raise interest rates. With money market rates at 11 per cent, signalling a ½ point rise in base rates, those pressures are likely to grow as the new year begins.

The impact of the Bundesbank's decision to lift interest *rates before Christmas is likely* to be felt throughout the ERM this month unless German rates ease back. But with German inflation not yet under control, dealers said there was unlikely to be any relief from the Frankfurt money markets.

The dollar was steady to slightly firmer against the D-Mark. Analysts noted that since the reduction in Japanese interest rates, the dollar had stabilised and was beginning to edge modestly higher against European currencies.

However, it continued to weaken against the yen. Dealers believed the yen's strength against the dollar had been encouraged by Japanese monetary authorities and was a response to the visit to Japan of Mr George Bush, the US president.

The yen's rise against the dollar would allow US exports to become more competitive in Asian markets and would help *deflect attention away from the* politically sensitive issue of Japan's trade surplus with the US.

Trading is likely to remain thin for the rest of this week and the market is not expected to be back to full strength until Monday. The release of the December US purchasing managers survey today will be closely examined for signs of recovery.

The dollar closed at DM1.5170 from DM1.5200 and at Y124.95 from Y125.70.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 31	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.668	-2.97	5.90	51
Belgian Franc	42.4032	41.9308	-1.11	3.91	46
D-Mark	2.05586	2.03553	-0.99	3.78	52
Dutch Guilder	2.31643	2.29352	-0.99	3.78	40
Irish Punt	0.767417	0.766332	-0.14	2.90	-1
Italian Lira	1538.24	1542.40	0.27	2.48	-22
French Franc	6.89509	6.93338	0.65	1.50	-36
Danish Krone	7.84195	7.92945	1.12	1.62	-49
Sterling	0.696904	0.716117	2.76	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8660 - 1.8750	1.8705 - 1.8715	1.06-1.04cpm	6.73	3.10-3.07pm	6.60
Canada	2.1565 - 2.1700	2.1620 - 2.1630	0.73-0.64cpm	3.80	2.05-1.90pm	3.65
Netherlands	3.1880 - 3.2025	3.1925 - 3.2025	[illegible]	1.17	1-¾pm	1.17
Belgium	58.15 - 58.65	58.40 - 58.50	9-3cpm	1.13	[illegible]	1.20
Denmark	11.0125 - 11.0800	11.0475 - 11.0575	1-½orepm	0.81	2½-1¾pm	0.79
Ireland	1.0635 - 1.0685	1.0675 - 1.0685	0.01-0.06cdis	-0.39	0.05-0.15dis	-0.38
Germany	2.8350 - 2.8490	2.8350 - 2.8400	[illegible]	1.32	¾-½pm	1.15
Portugal	248.45 - 251.75	250.75 - 251.75	[illegible]	-1.98	142-200dis	-2.72
Spain	179.75 - 181.80	180.50 - 180.80	[illegible]	-1.79	67-99dis	-1.84
Italy	2140.50 - 2157.50	2148.25 - 2149.25	2-4liredis	-1.68	7-9dis	-1.49
Norway	11.1350 - 11.2000	11.1550 - 11.1650	½-¼cpm	0.34	1-½pm	0.27
France	9.6850 - 9.7075	9.6925 - 9.7025	½-¼cpm	0.54	1¾-1¼pm	0.64
Sweden	10.3300 - 10.3975	10.3650 - 10.3750	2-2¾oredis	-2.46	5¾-6¾dis	-2.36
Japan	233.00 - 234.25	233.25 - 234.25	1¼-1ypm	5.45	3¼-3pm	5.24
Austria	19.90 - 20.00	19.97 - 20.00	2½-⅛gropm	1.01	6½-3½pm	0.99
Switzerland	2.5300 - 2.5450	2.5300 - 2.5400	⅝-½cpm	2.66	1¾-1½pm	2.66
Ecu	1.3950 - 1.4000	1.3985 - 1.3995	0.05cpm-0.01pm	0.26	0.12-0.02pm	0.20

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.06-6.01cpm. 12 Month 11.30-11.15pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8660 - 1.8750	1.8705 - 1.8715	1.06-1.04cpm	6.73	3.10-3.07pm	6.60
Ireland†	1.7470 - 1.7525	1.7470 - 1.7480	0.95-0.90cpm	6.35	2.70-2.60pm	6.07
Canada	1.1550 - 1.1575	1.1560 - 1.1570	0.27-0.30cdis	-2.96	0.84-0.90dis	-3.01
Netherlands	1.7050 - 1.7160	1.7085 - 1.7095	0.77-0.81cdis	-5.55	2.32-2.40dis	-5.52
Belgium	31.20 - 31.35	31.20 - 31.30	13.50-16.00cdis	-5.66	40.00-46.00dis	-5.50
Denmark	5.9000 - 5.9175	5.9050 - 5.9100	2.60-3.10oredis	-5.79	8.15-8.85dis	-5.76
Germany	1.5130 - 1.5230	1.5165 - 1.5175	0.69-0.70pfdis	-5.50	2.06-2.08dis	-5.46
Portugal	133.65 - 135.00	133.75 - 133.85	110-130dis	-10.76	305-335dis	-9.57
Spain	96.60 - 96.75	96.65 - 96.75	66-72cdis	-8.56	200-215dis	-8.58
Italy	1147.50 - 1150.75	1148.25 - 1148.75	8.60-9.30liredis	-9.35	24.30-25.70dis	-8.71
Norway	5.9625 - 5.9825	5.9625 - 5.9675	3.05-3.55oredis	-6.64	9.25-9.85dis	-6.40
France	5.1675 - 5.2000	5.1800 - 5.1850	2.68-2.73cdis	-6.26	7.93-8.03dis	-6.16
Sweden	5.5375 - 5.5575	5.5400 - 5.5450	4.20-5.25oredis	-10.23	12.00-14.00dis	-9.47
Japan	124.65 - 125.40	124.90 - 125.00	0.14-0.15ydis	-1.39	0.40-0.43dis	-1.33
Austria	10.6675 - 10.6750	10.6675 - 10.6725	4.45-4.90grodis	-5.26	13.80-15.00dis	-5.40
Switzerland	1.3510 - 1.3565	1.3545 - 1.3555	0.43-0.46cdis	-3.94	1.35-1.40dis	-4.06
Ecu	1.3390 - 1.3400	1.3380 - 1.3390	0.73-0.71cpm	6.45	2.15-2.10pm	6.35

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 31	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	7 - 6¾	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	10¼ - 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	10 - 9⅞	[illegible]	[illegible]	[illegible]
Asian $Sing	2¼ - 2	2¼ - 2	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Dec.31	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.871	2.837	233.7	9.697	2.535	3.197	2149	2.162	58.45	1.399
$	0.534	1	1.516	124.9	5.183	1.355	1.709	1149	1.156	31.24	0.748
DM	0.352	0.659	1	82.38	3.418	0.894	1.127	757.5	0.762	20.60	0.493
YEN	4.279	8.006	12.14	1000.	41.49	10.85	13.68	9196	9.251	250.1	5.986
F Fr.	1.031	1.929	2.926	241.0	10.	2.614	3.297	2216	2.230	60.28	1.443
S Fr.	0.394	0.738	1.119	92.19	3.825	1	1.261	847.7	0.853	23.06	0.552
N Fl.	0.313	0.585	0.887	73.10	3.033	0.793	1	672.2	0.676	18.28	0.438
Lira	0.465	0.871	1.320	108.7	4.512	1.180	1.488	1000.	1.006	27.20	0.651
C$	0.463	0.865	1.312	108.1	4.485	1.173	1.479	994.0	1	27.04	0.647
B Fr.	1.711	3.201	4.854	399.8	16.59	4.337	5.470	3677	3.699	100.	2.393
Ecu	0.715	1.337	2.028	167.0	6.931	1.812	2.285	1536	1.545	41.78	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Dec 31	£	$
Finland	7.7095 - 7.7535	4.1300 - 4.1400
Greece	[illegible]	173.780 - 176.560
Hong Kong	14.5340 - 14.5555	7.7780 - 7.7800
Iran	119.00*	64.00*
Korea(Sth)	1409.30 - 1431.00	756.30 - 766.30
Kuwait	0.53110 - 0.53220	0.28420 - 0.28460
Luxembourg	58.40 - 58.50	31.20 - 31.30
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N.Zealand	3.4585 - 3.4650	[illegible]
Saudi Ar.	[illegible]	3.7495 - 3.7505
Singapore	[illegible]	1.6190 - 1.6210
S.Af (Cm)	5.1210 - 5.1345	[illegible]
S.Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	6.8290 - 6.8695	3.6715 - 3.6735

*Official rate. Floating rate £-2663.0 $-1418.0

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Mar	92.05	92.09	92.02	92.07
Jun	92.35	92.38	92.38	92.38
Sep	92.55	92.57	92.57	92.57
Dec	92.65			92.65

Estimated volume 677 (981)
Previous day's open int. 23217 (23131)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2485.0	2490.0	2460.0	2421.0
Mar	2555.0	2569.0	2495.0	2460.0
Jun	2585.0	2572.0	2572.0	2490.0

Estimated volume 9372 (11435)
Previous day's open int. 40521 (40970)

FT-SE EUROTRACK 100 INDEX

	Close	High	Low	Prev.
Mar	1110.0			1090.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 108 (108)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	2.12	3.14	-	0.18	0.32	-
107	1.87	-	-	0.09	-	-
108	0.79	1.74	-	0.80	-	-
109	[illegible]	1.18	-	-	-	-
Open Int.	139,614	10,927	750	85,616	12,332	250

Estimated volume 39,520 Total Open Interest 249,089

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8710	1.8605	1.8400	1.8107	1.7588

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Quiet end to 1991

THE MONEY markets ended 1991 on a quiet note with little change in interest rates in the main market centres before the new year holiday.

In London the key three months inter-bank rate was unchanged at 11-10⅞ per cent, with dealers still anticipating a ½ point rise in base rates early this year.

Six months money was also unchanged at 11-10⅞ per cent and one year money was steady at 10⅞-⅞ per cent.

Money dealers said the pressures from the rise in German interest rates before Christmas continue to be felt in the London market.

Sterling's weakness inside the exchange rate mechanism of the European Monetary System raises the possibility *that the UK will be forced to* follow other European governments and raise British interest rates.

The differential between market rates and base rates could also put pressure on the banking system and eventually force the government to concede higher rates.

On Tuesday, however, sterling was slightly firmer against the D-Mark and this *took some of the immediate* pressure off market rates.

This was reflected in the futures market, where the March short sterling contract *rose slightly as the pound* gained in strength.

The March contract finished 2 basis points higher at 89.21, having traded between 89.16 and 89.23. The March contract currently implies an interest rate of 10.79 per cent.

In the cash market, overnight money rates fell as the Bank of England once again initially provided the market with more than enough liquidity for its daily credit needs.

The Bank began by forecasting a large money market shortage of £1.4bn. Maturing treasury bills and assistance drained £696m, while bills repurchased by the market absorbed a further £821m.

Exchequer transactions drained £150m and bankers balances below target a further £70m. This was partly offset by *a fall in the note circulation* which added £325m of liquidity.

Across the rest of Europe, French rates continued to firm despite an injection of liquidity by the Bank of France. Call money rose to 10⅞-⅞ per cent from 10¾-¾ per cent. Dealers said the failure of the franc to respond to the rise in French interest rates was behind the rise in market rates.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.31) 3 months US dollars		6 months US Dollars	
bid 4¼	offer 4⅜	bid 4¼	offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

Dec.31	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

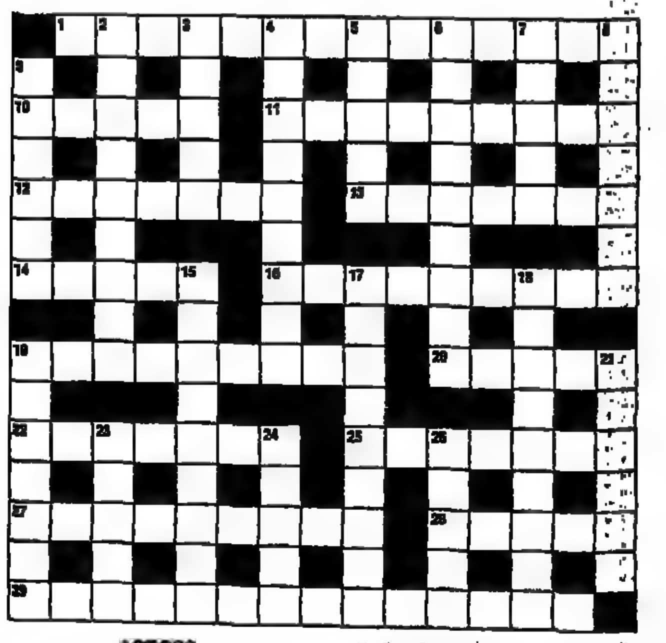
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,736 Set by HIGHLANDER



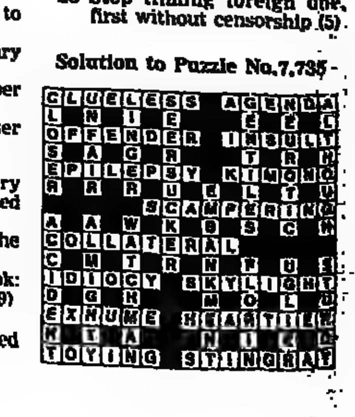
ACROSS

1 Mine can fail – it's analysed here (9,5)
10 Cat's back provided design theme (5)
11 Because individual goes without one disparaging remark (9)
12 Decide to split up (7)
13 Afternoon climbing is starting to develop (7)
14 Head of lamasery has one in Tibet (5)
16 Not in the pink nor on the pink? (3,6)
19 Remarkable occurrences every year include bird writing on the wall (9)
20 There's something owing – she came out with it (5)
22 Calculation of price for ingots specially ordered by the ton (7)
25 Collect together and take to net unit (5,2)
27 Because to offer sanctuary is prohibited (9)
28 Arrived and left with Berber carrier (5)
29 Major engagement: dresser running across (7,7)

DOWN

2 Without leaving, will try entering measure consumed (9)
3 Unpleasant or loud to the ear (5)
4 Write first section of book: no time to act as escort (9)
5 Tree-like enclosure (5)
6 Beat using long-established opening (9)
7 Confusing road system round Isle of Grain (5)
8 No tears shed by Roman legislator at Nero's overthrow (7)
9 Spoken for, lacking principles (6)
15 Cancellation landed writer in a good thing (9)
17 Sent to report for newspaper in France (9)
18 He settles disputes and begins to develop motorway in sultanate (9)
19 Seeking peace between USA and China (7)
21 Drink heavily without place to fall over (6)
23 Plant bush variety to conceal refuse tip (5)
24 Beckett's players wait for him to follow up (5)
26 Stop filming foreign one, first without censorship (5)

Solution to Puzzle No.7,735



WORLD STOCK MARKETS

AUSTRIA — December 30 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — December 30 — Frs. — + or −

[illegible]

DENMARK — December 30 — Kr. — + or −

[illegible]

FINLAND — December 30 — Mkk — + or −

[illegible]

FRANCE — December 31 — Frs. — + or −

[illegible]

FRANCE (continued) — December 31 — Frs. — + or −

[illegible]

GERMANY — December 30 — Dm. — + or −

[illegible]

GERMANY (continued) — December 30 — Dm. — + or −

[illegible]

ITALY — December 31 — Lire — + or −

[illegible]

NETHERLANDS — December 30 — Fls. — + or −

[illegible]

NORWAY — December 30 — Kroner — + or −

[illegible]

SPAIN — December 31 — Pts. — + or −

[illegible]

SWEDEN — December 30 — Kroner — + or −

[illegible]

SWEDEN (continued) — December 30 — Kroner — + or −

[illegible]

SWITZERLAND — December 30 — Frs. — + or −

[illegible]

SOUTH AFRICA — December 31 — Rand — + or −

[illegible]

JAPAN — December 30 — Yen — + or −

[illegible]

AUSTRALIA — December 31 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — December 31 — Aust.$ — + or −

[illegible]

HONG KONG — December 31 — H.K.$ — + or −

[illegible]

MALAYSIA — December 31 — M.$ — + or −

[illegible]

SINGAPORE — December 31 — S$ — + or −

[illegible]

Price data supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Owing to problems at Telekurs, some N.American stocks are temporarily being marked xd early.

CANADA

TORONTO

4:00 pm prices December 31

Quotations in cents unless marked $

[illegible]

1 - No voting rights or restricted voting rights

MONTREAL

4:00 pm prices December 31

[illegible]

Total Sales 8,990,400 shares

INDICES

NEW YORK

DOW JONES	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3168.83	3163.91	3101.52	3082.96	3168.83 (31/12)	2470.30 (9/1)	3168.83 (31/12/91)	41.22 (2/7/32)
Home Bonds	98.93	98.79	98.73	98.42	98.93 (31/12)	91.30 (16/1)	98.93 (31/12/91)	54.99 (1/10/81)
Transport	1358.00	1344.92	1314.84	1315.02	1358.00 (31/12)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	226.15	223.71	220.52	220.52	226.15 (31/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3204.61 (3174.64) Low 3121.20 (3090.79)

STANDARD AND POOR'S

	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.09	415.14	406.46	404.84	417.09 (31/12)	311.49 (9/1)	417.09 (31/12/91)	4.40 (1/6/32)
Industrials	492.72	490.43	479.39	476.81	492.72 (31/12)	364.90 (9/1)	492.72 (31/12/91)	3.62 (21/6/32)
Financial	34.18	34.27	33.62	33.49	34.27 (30/12)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.44	228.22	223.75	222.61	229.44 (31/12)	170.97 (9/1)	229.44 (31/12/91)	4.46 (25/4/42)
Amex Mkt. Value	395.05	390.15	382.94	377.52	395.05 (31/12)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	586.34	579.75	565.71	559.30	586.34 (31/12)	355.75 (14/1)	586.34 (31/12/91)	54.87 (31/10/72)

	Dec 27	Dec 20	Dec 13	year ago (approx.)
Dow Industrial Div. Yield	2.99	3.13	3.14	3.92

	Dec 24	Dec 18	Dec 11	year ago (approx.)
S & P Industrial div. yield	2.68	2.78	3.22	3.31
S & P Ind. P/E ratio	24.21	23.24	21.05	15.92

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
West Ent	3,244,700	17⅞	−⅛
RJR Nabisco	3,278,100	10⅝	−⅛
Am T&T	2,917,700	39⅛	−⅛
Philip Morris	2,656,000	79¾	−⅞
Gen Electric	2,607,500	76½	−⅛
Wal-Mart	2,491,700	58⅝	+⅛
Amer Express	2,473,600	20½	−⅛
Sears	2,437,400	31¾	+½
Gen Motors	2,366,000	28⅞	+⅛
Pepsico	2,236,800	33¾	−⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 31	Dec 30	Dec 27
New York SE	247.670	245.450	154.995
Amex	31.354	24.571	14.188
NASDAQ	(u)	224.083	163.367
NYSE			
Issues Traded	2,236	2,228	2,103
Rises	1,247	1,382	1,091
Falls	602	464	588
Unchanged	387	382	504
New Highs	333	319	230
New Lows	12	18	13

CANADA

TORONTO	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW
Metals & Minerals	2954.99	2972.08	2917.66	(c)	3299.99 (18/7)	2632.06 (9/1)
Composite	3512.36	3505.90	3441.91	(c)	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1863.43	1861.59	1832.13	(c)	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1651.4	1612.5	1594.9	(c)	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	662.2	645.3	636.2	(c)	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	374.63	376.49	(c)	534.81 (16/4)	373.78 (23/12)
BELGIUM						
BEL20 (1/1/91)	(c)	1092.00	1082.94	(c)	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	(c)	352.56	349.15	(c)	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	(c)	781.5	767.2	(c)	1186.9 (8/4)	765.2 (23/12)
FRANCE						
CAC General (31/12/82)	476.66	470.73	470.29	465.29	503.51 (15/11)	394.86 (15/1)
CAC 40 (31/12/87)	1765.66	1741.86	1720.65	1722.48	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	(c)	640.31	636.91	(c)	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	(c)	1804.50	1794.90	(c)	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	(c)	1577.98	1563.59	(c)	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4297.33	4275.20	4236.20	(c)	4297.33 (31/12)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1380.25	1367.05	(c)	(c)	1520.66 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	507.79	504.58	496.66	(c)	619.38 (3/6)	482.89 (10/12)
JAPAN						
Nikkei (16/5/49)	(c)	22983.77	22437.32	22555.07	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	(c)	1714.68	1675.23	1685.55	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	(c)	2438.93	2424.50	2437.35	3423.45 (10/5)	2424.50 (27/12)
MALAYSIA						
KLSE Composite (4/4/86)	556.22	554.38	551.80	550.48	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttil Rtn.Gen.(End 1983)	(c)	272.6	271.5	(c)	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	(c)	191.4	190.6	(c)	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	(c)	670.99	662.45	(c)	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	(c)	1151.87	1138.76	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	404.50	401.80	400.17	397.43	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1131.04	1142.0	(c)	(c)	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4170.04	4133.0	(c)	(c)	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	(c)	618.92	763.10 (6/8)	586.51 (23/12)
SPAIN						
Madrid SE (30/12/85)	244.24	242.11	237.31	235.51	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	(c)	917.6	906.7	(c)	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	734.5	729.0	(c)	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	(c)	595.0	590.1	(c)	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	4540.55	4529.58	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	711.36	702.60	698.19	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Ind.(1/1/70) ($)	535.5*	531.2	522.8	519.8	531.2 (30/12)	439.1 (16/1)

** Saturday December 28: Taiwan Weighted Price: 4600.67; Korea Comp Ex. (c).
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

4:00 pm prices December 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅝	9¼	AAR Corp	0.48	3.6	15	338	13½	12¾	13½	+⅝
24¾	14½	ACM Lux Fn x	0.16	0.6	27	558	u24¾	23¾	24½	
58½	40⅞	AMP Inc	1.44	2.4	23	2446	u60	57¾	58⅝	-⅞
70⅝	44¾	AMR				136700	u71	68⅝	70½	+¼
2⅝	1	ARX				188	1½	1½	1½	
56	41½	ASA	3.00	6.4	13	734	47	45⅞	46⅞	+1½
68¼	38¼	Abbott Lab x	1.00	1.4	27	8170	u69½	67¼	68⅞	+1¼
14⅝	9⅞	Abitibi Pr x	0.50	4.0	16	7	12½	12½	12½	
11⅝	10⅛	ACM Gvt In x	1.31	11.6		317	11¼	11⅛	11¼	
9¾	8¾	ACM GvOpp x	1.01	10.5		70	9⅝	9½	9⅝	
9½	8¾	ACM Gvt Sp x	0.17	1.9		150	9⅛	9	9	
11	9⅞	ACM Gvt Se x	1.26	11.8		319	10¾	10⅝	10⅝	
9½	7⅝	ACM Man x	1.05	11.7		535	u9⅛	8⅞	9	
12⅞	11½	ACM Mangd x	1.35	10.7		348	12¾	12⅝	12⅝	-⅛
7½	4¾	Acme Cleve	0.40	5.5	18	259	7⅜	7⅛	7¼	+⅛
6	3⅞	Acme Elect			3	38	4⅜	4⅝	4¾	-⅛
40	22¾	Acuson			20	1326	32¾	31½	32	+½
20¼	14¾	Adams Expr	1.63	8.6	0	165	19⅜	19	19	-⅛
20⅛	12⅞	Adobe12Pf	2.40	16.0		90	15	13⅞	15	+¾
9⅝	3⅞	Adobe Res			53	681	5⅜	4⅝	5⅛	+⅞
42¾	18	Ad Micro				470	u43	42	42¼	+⅞
17¾	4⅝	Ad Micro P	3.00	17.1	8	79318	u17¾	17¼	17½	+½
5⅝	2¼	Advest Grp	0.16	3.1	7	741	u5⅛	4⅞	5⅛	+½
49⅛	31⅞	Aetna L1 x	2.76	6.3	8	3560	44⅛	43¼	44	-⅛
10⅝	6⅜	Ahil A x	0.24	2.8	78	1620	8⅝	8½	8⅝	
20⅞	12	Ahmanson	0.88	5.1	11	2345	17⅞	17	17⅜	+⅜
20	2⅞	Aileen Inc			16	524	19⅞	18¾	18⅝	-1⅛
74⅛	51⅜	Air Pr Che x	1.58	2.1	18	927	73⅞	71⅝	73⅞	+2¼
30	16⅝	Airbrne Frt	0.30	1.2	17	232	24⅝	24	24¼	-⅛
24½	12½	Airgas Inc			11	42384	24⅛	23⅞	24	-⅛
15¼	9¾	Airlease x	1.68	17.7	5	337	9⅞	d9	9½	-½
100½	88¼	AlaPw8.16	8.16	8.2		z100	u101	101	99¼	
25¼	21⅞	AlaPw PfA	2.00	8.0		11	u25⅜	25⅛	25¼	
107	100	AlaPw9.44	9.44	9.0		4	104	104	105	+1

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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- G -

[illegible]

- H -

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- I -

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- J -

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- K -

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- L -

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- M -

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- N -

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- O -

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- P - Q -

[illegible]

- R -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52½	43½	Xerox4 125				2100	u52½	52¼	52½	
25¼	14½	Xtra 1.94				70	u25¼	24⅞	25	
29¾	14¼	Xtra Corp	0.72	2.5	14	538	29¾	28⅞	29⅞	-⅛
27⅞	21¼	Yankee Egy	1.60	6.0	12	81	26½	25⅞	26½	+⅝
1½	⅞	Zapata			49	759	⅞	⅞	⅞	-⅛
9⅝	5¼	ZenithElec			2	888	7½	7¼	7⅜	-¼
16½	12	Zenith Nat x	1.00	5.3	140	112	16⅞	15⅝	16⅞	+1⅛
6⅝	4½	Zenix Inc x	0.84	13.7		108	6¼	6	6¼	+¼
15⅛	10	Zero Corp	0.40	3.4	15	462	12	11½	11⅞	-⅛
41⅞	29½	Zurn Ind	0.88	2.4	14	391	36½	34⅞	36	+1¼
13⅞	10¼	Zweig Fund x	1.15	8.4		249	u13⅞	13½	13¾	-⅛
10¾	8½	Zweig Tot x	0.96	8.9		693	u10¾	10⅝	10¾	+⅛

Price data supplied by Telekurs

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices December 31

NASDAQ NATIONAL MARKET

4:00 pm prices December 31

AMERICA

Dow ends the year at record high

Wall Street

US EQUITIES paused for breath on New Year's Eve after six days of strong gains, yet in spite of some profit-taking and computerised program selling, Wall Street managed to end the day and year firmer at a new record high.

At the close the Dow Jones Industrial Average was up 4.92 at 3,168.83, making an advance of 535 points or 20.3 per cent for the whole of 1991. The more broadly based Standard & Poor's 500 added 1.95 at 417.09, also a new all-time high, while the Nasdaq composite of over-the-counter stocks joined in *the record-making, climbing* 6.59 to 586.34.

Turnover on the New York Stock Exchange amounted to 248.5m shares, exceptionally heavy for the last day of the year, while advancing issues outnumbered declines by 1,244 to 600.

Although the market opened in confident mood, the Dow climbing more than 20 points in the first hour of trading, there were plenty of investors willing to take profits on some of their recent gains, and by midday the main indices were showing modest losses.

A round of program selling also contributed to the downturn, but by the end of the session the losses had been clawed back and the market finished slightly firmer on balance. This enabled the Dow to register its fourth record in as many days and brought the curtain down on the best-ever *December for US equities.*

Among individual stocks, SmithKline Beecham moved ahead $3¼ to $79¾ after the group won approval from the US Food and Drug Administration to market Relafen, a non-steroidal anti-inflammatory drug used in the treatment of ulcers.

On the way down were two big banking issues. Chemical Bank relinquished $1⅛ to $21⅞ and Manufacturers Hanover receded $1¾ to $24¾ after the two groups formally completed their merger and revealed that the new combined holding company would be taking a bigger than envisioned fourth-quarter charge of $625m to cover the costs of the link-up.

Carolco slipped $¼ to $1⅞ as investors sold the stock after news that the troubled film-making group had offered to buy back all of its 14 per cent senior notes at a discount.

Profit-taking took its toll of some of the leading stocks which have enjoyed big gains in the year-end rally, with Philip Morris surrendering $⅞ to $79⅞ in a volume of 2.6m shares, IBM losing $1⅞ to $89 and Coca-Cola shedding $1 to $80¼.

On the over-the-counter market, very heavy demand lifted Amgen $6¾ to $75¾ in turnover of almost 6m shares.

Canada

TORONTO mirrored the Wall Street movements in thin trading, with the market fluctuating as participants worked to square positions ahead of *the end of the session and* the year.

The composite index was finally a net 6.5 firmer at 3,512.4, leaving a rise for 1991 of 255.7 points or 7.8 per cent. Advances led falls by 386 to 224 *after a volume of 19.5m shares.*

The gold sub-group index stood out with a gain of 4.59 per cent. Gold bullion was quoted at US$354.25 an ounce in New York, up $1.25 from Monday's close.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 31 1991								MONDAY DECEMBER 30 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	150.85	+2.7	119.53	119.14	118.97	132.03	+2.6	4.21	146.93	116.68	116.74	116.11	128.70	160.31	112.74	118.05
Austria (20)	166.53	+0.2	131.96	131.54	131.34	131.21	+0.0	2.20	166.17	131.95	132.04	131.31	131.21	222.37	153.86	196.84
Belgium (47)	144.34	+0.3	114.38	114.00	113.84	111.24	+0.0	5.33	143.88	114.25	114.31	113.70	111.24	151.20	118.04	132.22
Canada (115)	136.30	+0.3	108.00	107.65	107.49	114.14	+0.1	3.22	135.91	107.92	107.98	107.38	114.01	144.28	126.49	130.03
Denmark (37)	267.15	+0.2	211.69	211.01	210.70	214.85	+0.0	1.67	266.59	211.70	211.83	210.67	214.85	270.56	217.74	232.63
Finland (15)	78.02	+0.1	61.82	61.63	61.53	67.71	+0.0	3.60	77.97	61.92	61.96	61.62	67.71	125.15	73.32	103.14
France (109)	150.44	+1.7	119.21	118.81	118.64	122.30	+1.5	3.62	147.97	117.50	117.57	116.92	120.47	152.26	119.11	131.75
Germany (65)	117.33	+0.2	92.97	92.68	92.53	92.53	+0.0	2.49	117.09	92.99	93.05	92.53	92.53	125.35	94.15	111.90
Hong Kong (55)	176.36	+0.7	139.75	139.29	139.10	176.14	+0.7	4.23	175.21	139.13	139.21	138.46	174.99	176.36	119.62	121.81
Ireland (18)	167.81	+1.2	132.97	132.54	132.35	135.31	+1.2	3.71	165.81	131.67	131.75	131.03	133.66	182.46	132.88	148.46
Italy (77)	75.39	+0.9	59.74	59.54	59.46	64.67	+0.6	3.56	74.72	59.33	59.37	59.04	64.26	88.23	64.76	78.31
Japan (474)	135.82	+0.6	107.63	107.28	107.13	107.28	+0.0	0.79	135.01	107.21	107.28	106.71	107.28	146.97	118.23	124.77
Malaysia (68)	214.18	+0.8	169.72	169.16	168.92	224.45	+0.4	2.78	212.49	168.74	168.83	167.92	223.58	247.78	189.18	212.14
Mexico (17)	1391.17	+1.7	1102.37	1098.79	1097.20	4625.46	+1.7	1.11	1367.74	1086.12	1086.76	1080.85	4547.55	1404.63	534.45	584.45
Netherland (31)	152.68	+0.2	120.98	120.59	120.42	119.09	+0.0	4.53	152.41	121.03	121.10	120.44	119.09	162.66	125.70	133.97
New Zealand (14)	46.98	+1.3	37.23	37.11	37.05	46.17	+1.4	5.95	46.40	36.85	36.87	36.67	45.54	54.64	41.18	43.41
Norway (28)	178.79	+0.3	141.67	141.21	141.01	144.75	+0.0	1.78	178.19	141.50	141.59	140.82	144.75	223.24	157.08	204.27
Singapore (38)	219.68	+1.1	174.08	173.51	173.26	164.00	+0.5	2.13	217.28	172.54	172.65	171.70	163.21	219.68	151.63	159.27
South Africa (61)	248.90	+0.1	197.23	196.59	196.30	172.99	+0.4	2.85	248.69	197.48	197.59	196.52	172.29	271.99	173.00	182.89
Spain (53)	156.41	+1.9	123.94	123.54	123.35	114.58	+1.7	4.85	153.46	121.88	121.96	121.29	112.67	171.12	131.51	140.32
Sweden (25)	181.14	+0.2	143.54	143.07	142.87	148.63	+0.0	3.00	180.73	143.52	143.61	142.83	148.63	204.12	146.60	159.46
Switzerland (59)	100.37	+0.1	79.53	79.28	79.17	84.31	+0.0	2.37	100.22	79.59	79.64	79.21	84.31	100.67	82.17	88.93
United Kingdom (235)	185.33	+3.1	146.86	146.37	146.16	146.86	+2.8	5.07	179.83	142.80	142.88	142.10	142.80	187.44	156.27	165.67
USA (525)	169.88	+0.4	134.62	134.18	133.99	169.88	+0.4	2.87	169.17	134.34	134.42	133.69	169.17	169.88	125.95	133.31
Europe (818)	147.69	+1.7	117.03	116.65	116.48	117.46	+1.5	4.10	145.19	115.30	115.37	114.74	115.71	151.52	125.50	134.53
Nordic (105)	183.77	+0.2	145.62	145.15	144.94	143.90	+0.0	2.25	183.36	145.60	145.69	144.90	143.90	200.81	155.55	167.71
Pacific Basin (718)	137.13	+0.7	108.66	108.31	108.16	109.86	+0.1	1.11	136.18	108.14	108.21	107.62	109.70	145.92	117.86	124.12
Euro – Pacific (1537)	141.68	+1.1	112.27	111.89	111.73	113.65	+0.7	2.35	140.11	111.26	111.32	110.72	112.88	147.66	121.29	128.70
North America (640)	167.75	+0.4	132.93	132.51	132.32	166.08	+0.4	2.89	167.05	132.66	132.75	132.04	165.41	167.75	125.91	133.02
Europe Ex. UK (584)	125.14	+0.7	99.16	98.86	98.72	100.60	+0.6	3.38	124.22	98.64	98.72	98.19	100.05	129.80	103.58	115.51
Pacific Ex. Japan (244)	150.04	+1.6	118.89	118.52	118.35	134.59	+1.4	3.94	147.73	117.31	117.40	116.76	132.70	153.19	111.40	115.83
World Ex. US (1730)	143.41	+1.1	113.63	113.27	113.11	115.40	+0.7	2.38	141.88	112.67	112.74	112.12	114.61	148.16	122.32	129.54
World Ex. UK (2020)	148.01	+0.6	117.28	116.91	116.74	130.73	+0.3	2.28	147.16	116.86	116.94	116.30	130.29	148.01	120.06	126.31
World Ex. So. Af. (2194)	150.63	+0.8	119.36	118.98	118.81	131.92	+0.6	2.56	149.38	118.62	118.70	118.06	131.15	150.63	122.92	129.48
World Ex. Japan (1781)	160.86	+0.9	127.46	127.06	126.89	146.28	+0.9	3.35	159.38	126.56	126.65	125.97	145.05	160.86	126.69	133.71
The World Index (2255)	151.26	+0.8	119.86	119.47	119.31	132.28	+0.6	2.57	150.02	119.13	119.21	118.56	131.51	151.26	123.28	129.80

Markets closed December 31: Belgium, Denmark, Finland, Germany, Japan, Netherlands, Norway, Sweden and Switzerland.

Latin America rewards believers

But a few clouds have appeared on the horizon, says **Stephen Fidler**

LATIN AMERICA'S stock markets put on a striking performance in the 499th year after the arrival of Christopher Columbus in the Americas. And most followers of emerging markets believe that they have a good chance of faring well in the 500th.

The most important markets – Argentina, Brazil, Chile and Mexico – together gave investors total returns in dollar terms of 106.4 per cent in the first 11½ months of 1991, according to the International Finance Corporation.

The Argentine market more than quadrupled investors' money, with a total return of 323 per cent; Brazil, *in spite* of its economic travails and galloping inflation, more than doubled it; returns on Mexico were 92.7 per cent, Colombia 141 per cent, Chile 87 per cent and Venezuela more than 30 per cent. *Against this,* the rest of the world looked pedestrian.

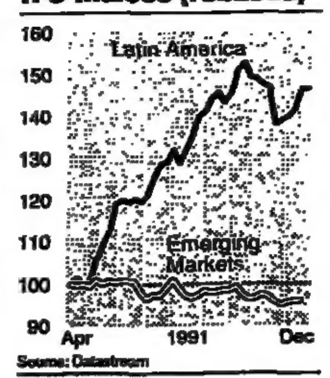
The optimism fuelling these gains was built on a number of premises. Economic reform continues apace in many countries, and there is a fair chance *of debt restructuring* agreements for two of the region's bigger economies, Argentina and Brazil. Both factors offer the prospect of a renewal of economic growth.

Evidence continues that residents are bringing their so-called flight capital home, some of it into equities. "Latin American markets still have quite a lot of room to grow," says Mr Marc Wenhammer, fund manager at the London-based *Latin American Securities,* which manages about $500m in equity investments.

The horizon is not cloudless, however. The strength of the markets, particularly Mexico, since early 1990 has encouraged significant new issues of equity, especially into the international markets. Together with the privatisation issues, many see a danger of markets being overwhelmed.

Market watchers are aware of the risk that the big build-up of foreign capital in some markets could be sharply reversed. *Ms Caroline Tillott of John* Govett in London points out that foreign investment in the Mexican market quadrupled this year to almost $17bn, a fifth of market capitalisation. According to Mr Lincoln Rathnam of Scudder, Stevens & Clark's emerging markets group in New York, foreigners hold half of Telmex, the state telephone group privatised last year which accounts for a third of the Mexican market.

IFC Indices (rebased)



Source: Datastream

Troubles in the negotiation of the North American Free Trade Agreement, being discussed between the US, Canada and Mexico, could hit sentiment in Mexico. As it stands, the market drops on every hint from Washington that agreement might not be possible in a US election year. Mexico and others also suffer *directly from* US economic weakness.

A loss of confidence in Mexico could quickly rebound on to the other markets. But investors have had to become accustomed to volatility.

As in other emerging markets, they have also grown used to practices frowned on in more developed markets. Asked about insider trading, for example, Mr Rathnam says: "There are few violations because in most places it is not illegal." Many companies are still family held and the float of readily traded stock tends to be small: management dealings in the stock thus often have an undue influence on prices.

Reading balance sheets also has its perils. Inflation of the levels prevailing in Brazil of more than 20 per cent a month distorts company results, as it biases their trading in favour of financial, over productive, activities.

In spite of this, fund managers say that, in terms of access, Latin America is better than many other emerging markets. There are rules that limit the speed with which an investor can sell shares bought in Chile, but exchange restrictions are no longer widespread. Most of the important exchanges have been modernised: fund managers claim that clearing and settlement is generally good. One *notorious exception is* Venezuela, but even here modernisation is expected in 1992.

Most of the markets, however, remain illiquid, meaning that it can be difficult to sell stock when sentiment turns. On the other hand, the ratios of market capitalisation to gross national product are *such that further market* growth seems inevitable.

According to Mr Wenhammer, the ratios of share price to earnings (on a historical basis) are 12 in Mexico, 14 in Chile, 24 in Venezuela and less than 6 in Brazil. With the exception of Mexico, these figures are based on small samples of stocks and should be treated with caution. However, they suggest that Venezuela is generously valued and that Brazil would have enormous potential if its economy were to be put back on track.

Mr Alexander Zagoreos of Lazard Frères Asset Management in New York is an investor in mutual funds. As such, he avoids some of the liquidity problems associated with direct investment.

He has for some time been overweight in Latin America: not difficult, as the world stock market indices used by many fund managers do not include a Latin American market. He points out that a weighting of 0.5 per cent in Korea at the beginning of the 1980s would have been enough to ensure that a fund manager was rated in the top 25 per cent through much of the decade, even if he just matched the indices in the rest of the portfolio.

That shapes his view about Latin America: if the markets perform as expected, returns will be high; if they collapse, then the effect on his portfolio will be limited, because such a small sum is invested.

New York's strength again inspires rest of the world

WALL STREET'S strength inspired those markets open on Tuesday. All leading markets were shut yesterday.

PARIS gained further ground, but the CAC 40 index closed below the day's high of 1,787.70 at 1,765.11, up 23.80 on the day and 16 per cent on the year. Turnover was about FFr3bn, swelled by end-of-year window dressing and arbitrage as index futures expired.

MADRID also firmed. The general index added 4.13 at 246.24, for a gain of 10 per cent during 1991. Turnover was moderate at about Pta15bn, down from Pta27bn.

MILAN encountered some profit-taking, but the Comit index still closed 3.21 higher at 507.76 – a fall on the year of 2 per cent. Generali dampened enthusiasm by falling L80 to an official close of L28,220, but it recovered later to L28,350.

HONG KONG closed the year at a record. The Hang Seng index gained 22.13 to 4,297.33, up 42 per cent during 1991.

Other Asia Pacific markets also rose, with AUSTRALIA's All Ordinaries index and SINGAPORE's Straits Times Industrial both ending the year up 29 per cent, NEW ZEALAND's NZSE-40 up 25 per cent, and KUALA LUMPUR's composite up 10 per cent, as KARACHI's index hit a record high of 1,672, up 33 on the day.

JOHANNESBURG was mixed, as the all-share index gained 20 to 3,440, for a rise on the year of 26 per cent.

FT-SE Eurotrack 100 - Dec 31†

Hourly changes

Open	10 am	10.30	11 am	11.30	12 pm	12.30	-
1076.53	1076.91	1078.22	1078.16	1078.72	1078.73	1079.41	-

Day's High 1080.24 Day's Low 1124.16

Dec 30	Dec 27	Dec 24	Dec 23	Dec 20
1065.54	1055.30	1042.60	1026.29	1032.92

Base value 1000 (26/10/90). † Partial.